EXPERTISE • QUALITY • INCOME

Third Quarter 2016 Financial Report

EAGLE ENERGY™

INC.

Management's Discussion and Analysis

November 3, 2016

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations for Eagle Energy Inc. ("**Eagle**"), dated November 3, 2016, should be read in conjunction with Eagle's unaudited condensed consolidated interim financial statements and accompanying notes for the three months and nine months ended September 30, 2016 ("**Interim Financial Statements**") and Eagle's audited consolidated financial statements and accompanying notes and related MD&A for the year ended December 31, 2015 and Eagle's Annual Information Form dated March 17, 2016 ("**AIF**"), which are available online at www.sedar.com and on Eagle's website at www.EagleEnergy.com.

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Items included in the financial statements of Eagle and each of its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Interim Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of Eagle.

Figures within this MD&A are presented in Canadian dollars unless otherwise indicated.

The foreign exchange rate at September 30, 2016 was $US 1.00 equal to $CA1.31 (December 31, 2015 - $US 1.00 equal to $CA 1.38), and the average foreign exchange rate for the nine months ended September 30, 2016 was $US 1.00 equal to $CA 1.32 (for the nine months ended September 30, 2015 - $US 1.00 equal to $CA 1.26).

This MD&A contains information that is forward-looking and refers to non-IFRS financial measures. Investors should read the "Note about Forward-Looking Statements" and "Non-IFRS Financial Measures" sections at the end of this MD&A.

Financial data other than non-IFRS financial measures has been prepared in accordance with IFRS.

Overview of Eagle

On January 27, 2016, Eagle Energy Trust closed a plan of arrangement (the "**Arrangement**") involving the acquisition, by way of share exchange, of Maple Leaf Royalties Corp. ("**Maple Leaf**") and conversion of Eagle Energy Trust into a corporate structure. The resulting public entity, named Eagle Energy Inc., is listed on the Toronto Stock Exchange with its common shares trading under the symbol "EGL". Eagle is an oil and gas corporation created to provide investors with a sustainable business while delivering stable growth in production and overall growth through accretive acquisitions.

This MD&A discusses Eagle's operating segments in the United States and Canada, in addition to its Corporate segment. The United States segment relates to Eagle's assets in Texas and Oklahoma and the Canadian segment

relates to Eagle's assets in Alberta. The Corporate segment includes expenditures related to Eagle's hedging program, public company and other expenses incurred in the overall financing and administration of Eagle.

Highlights for the Three Months ended September 30, 2016

- Achieved quarterly production of 4,085 barrels of oil equivalent per day ("**boe/d**") and expects 2016 full year average production to be at the upper end of its stated guidance range.

- Reduced per boe operating costs (inclusive of transportation) by 10% from the prior year comparative quarter and 18% year-over-year, and expects 2016 monthly operating costs to be at the lower end of the current stated guidance range, a range which was already reduced in May 2016.

- Assumed operatorship of the Twining properties on August 1, 2016, thereby allowing Eagle to complete field work to optimize production and increase efficiencies on these properties.

- Further to Eagle's assumption of operatorship of the Dixonville property in June, performed pipeline work that added approximately 275 boe/d of production gross to the field from ten previously shut-in wells.

- Generated quarterly funds flow from operations of $4.6 million leading towards expected 2016 year-end net debt being reduced to $59 million and expected resulting headroom of $11 million on its credit facility. Eagle's $70 million credit facility was reaffirmed upon finalizing its mid-year borrowing base review on November 3, 2016.

2016 Outlook

This outlook section is intended to provide shareholders with information about Eagle's expectations for capital expenditures, production and operating costs for 2016. Readers are cautioned that the information may not be appropriate for any other purpose. This information constitutes forward-looking information. Readers should note the assumptions, risks and discussions under "Note about Forward-Looking Statements" at the end of this MD&A.

Eagle's 2016 capital budget, average production and operating cost guidance remains unchanged from what Eagle previously announced and is as follows:

	2016 Guidance	Notes
Capital Budget	$5.0 mm	(1)
Average Production	3,400 to 3,800 boe/d	(2)
Operating Costs per month	$2.0 to $2.4 mm	(3)

Notes:

(1) The 2016 capital budget of $CA 5.0 million consists of $US 3.0 million for Eagle's operations in the United States and $0.8 million for Eagle's operations in Canada. At an assumed $US 50.00 per barrel West Texas Intermediate ("**WTI**") oil price, Eagle's 2016 capital budget of $5.0 million and dividend of $0.005 per common share of Eagle per month ($0.06 per share annualized) results in a corporate payout ratio of 55%.

(2) 2016 average production is forecast to consist of 83% oil, 13% natural gas and 4% natural gas liquids ("**NGLs**") and includes both working interest and royalty interest production.

(3) Original 2016 monthly operating cost guidance of $2.2 to $2.6 million was reduced to $2.0 to $2.4 million in May 2016.

Eagle's Expected Funds Flow from Operations and Corporate Payout Ratio

For 2016, Eagle expects to be at the upper end of its stated average production guidance range and the lower end of its monthly operating cost guidance range. In addition, the reduction in Eagle's monthly dividend to $0.005 (half a cent) per share, beginning with the June 2016 dividend, combined with updated commodity price and foreign exchange rate assumptions, results in a change in Eagle's expected 2016 funds flow from operations and corporate payout ratio from that disclosed on August 4, 2016 as follows:

	Amount	Notes
Funds Flow from Operations	$16.6 mm	(1, 4)
Basic Payout Ratio	23%	(2)
Plus: Capital Expenditures	32%	
Equals: Corporate Payout Ratio	55%	(3)

Notes:

(1) 2016 funds flow from operations is expected to be approximately $CA 16.6 million (previously $CA 15.6 million) based on the following assumptions:

  (a) average production of 3,800 boe/d (the upper end of the guidance range);

  (b) pricing at $US 50.00 (previously $US 47.50) per barrel WTI oil, $CA 3.00 per Mcf AECO gas (previously $CA 2.47) and $US 17.50 per barrel of NGL (NGL price is calculated as 35% of the WTI price) for the remaining three months of 2016;

  (c) differential to WTI is $US 3.10 discount per barrel in Salt Flat, $US 3.50 discount per barrel in Hardeman, $CA 16.17 discount per barrel in Dixonville and $CA 12.67 discount per barrel in Twining;

  (d) average operating costs of $CA 2.2 million per month ($US 0.8 million per month for Eagle's operations in the United States and $CA 1.1 million per month for Eagle's operations in Canada), the mid-point of the current guidance range;

  (e) foreign exchange rate of $US 1.00 equal to $CA 1.32 (previously $CA 1.30); and

  (f) field netback (excluding hedges) of $16.77 per boe (previously $16.82).

(2) Eagle calculates its Basic Payout Ratio as follows:

$$\frac{\text{Shareholder Dividends}}{\text{Funds Flow from Operations}} = \text{Basic Payout Ratio}$$

(3) Eagle calculates its Corporate Payout Ratio as follows:

$$\frac{\text{Capital Expenditures + Shareholder Dividends}}{\text{Funds Flow from Operations}} = \text{Corporate Payout Ratio}$$

(4) Field netback, basic payout ratio and corporate payout ratio are non-IFRS measures. See the section below titled "Non-IFRS Financial Measures".

The following tables show the sensitivity of Eagle's expected 2016 funds flow from operations, corporate payout ratio and debt to trailing funds flow from operations ratio to changes in commodity prices and production:

Sensitivity to Commodity Price	2016 Average WTI (2016 Average Production 3,800 boe/d)		
	$US 45.00 (FX 1.32)	**$US 50.00 (FX 1.32)**	**$US 55.00 (FX 1.32)**
Funds Flow from Operations ($CA)	$16.2 mm	$16.6 mm	$17.1 mm
Corporate Payout Ratio	57%	55%	53%
Debt to Trailing Funds Flow from Operations	3.6x	3.5x	3.4x

Sensitivity to Production	2016 Average Production (boe/d) (WTI $US 50.00, FX 1.32)		
	3,700	**3,800**	**3,900**
Funds Flow from Operations ($CA)	$16.0 mm	$16.6 mm	$17.3 mm
Corporate Payout Ratio	57%	55%	53%
Debt to Trailing Funds Flow from Operations	3.6x	3.5x	3.4x

Assumptions for the remaining three months of 2016:

(1) Pricing assumptions noted above ($US 45.00, $US 50.00, $US 55.00) are for the remaining three months of 2016.

(2) Current annualized dividends are assumed to be $0.06 per share per year ($212,000 per month).

(3) Operating costs are assumed to be $2.2 million per month (mid-point of guidance range).

(4) Differential to WTI held constant.

(5) Foreign exchange rate is assumed to be $US 1.00 equal to $CA 1.32.

(6) 2016 average production is assumed to be 3,800 boe/d (the upper end of the guidance range).

Acquisition and Conversion into a Corporate Structure

On January 27, 2016, Eagle acquired all of the issued and outstanding shares of Maple Leaf and converted from a trust structure into a corporate structure. Eagle assumed the working capital and non-operated oil and gas royalty and working interests in properties in west central Alberta. Maple Leaf did not have any debt.

Under the transaction, Eagle issued 7,141,815 shares at $0.73 per share for total consideration of $5,213,525. An additional 446,444 shares with a value of $325,904 were issued as consideration for the termination of the Maple Leaf management agreement and this non-cash amount has been expensed in general and administrative costs as part of the deal transaction costs. No incremental debt, capital expenditures or overhead is needed to manage the production and associated cash flow added as a result of the acquisition of Maple Leaf.

Sensitivities

Eagle's results and ability to generate sufficient amounts of cash to fund ongoing operations are affected by external market factors such as fluctuations in the prices of crude oil and natural gas as well as movements in foreign-exchange rates and interest rates. Changes in production also affect funds flow from operations. Sensitivities to these factors are summarized below.

	Quarterly impact on ➔	**Funds flow from operations ($000's)**	**Funds flow from operations / share[1]**
Gas price[2]	+ $US $0.10/Mcf Henry HUB	35	-
Oil price[2]	+ $US $1.00/bbl WTI	315	0.01
Gas production	+1000 Mcf/d	111	-
Oil production	+100 bbls/d	152	-
Currency[2]	+ $CA weaken by $0.01	42	-
Interest rate	+1% prime	(162)	-

Notes:

(1) Per share figures are based on 41,703,875 weighted average basic shares outstanding for the nine months ended September 30, 2016.

(2) Price and currency sensitivities are calculated assuming an average yearly production rate equal to year to date average working interest and royalty sales volumes of 4,029 boe/d.

Consolidated Results of Operations

Production

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	**%**	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	**%**
Working interest (boe/d)	3,841	3,607	7	3,800	3,214	18
Royalty interest (boe/d)	244	-	-	229	-	-
Total (boe/d)	**4,085**	3,607	13	**4,029**	3,214	25

Working interest sales volumes for the third quarter of 2016 averaged 3,841 boe/d (87% oil, 3% NGLs, 10% natural gas), and royalty interest volumes for the quarter averaged 244 boe/d (22% oil, 17% NGLs, 61% natural gas), for total average production of 4,085 boe/d, an increase of 13% over the previous year comparative quarter. The increase is due to acquisitions in the third quarter of 2015 and the first quarter of 2016, as well as Eagle's successful drilling program at Salt Flat.

Average Daily Production by Product Type

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Working Interest						
Oil (bbl/d)	3,360	3,363	-	3,321	3,059	9
Natural gas (Mcf/d)	2,262	1,018	122	2,293	564	307
NGLs (bbl/d)	104	74	41	97	62	56
Oil equivalent sales volumes (boe/d @6:1)	**3,841**	3,607	6	**3,800**	3,214	18
Royalty Interest			-			
Oil (bbl/d)	47	-	-	49	-	-
Natural gas (Mcf/d)	931	-	-	841	-	-
NGLs (bbl/d)	42	-	-	40	-	-
Oil equivalent sales volumes (boe/d @6:1)	**244**	-	-	**229**	-	-
Total						
Oil (bbl/d)	3,407	3,363	1	3,370	3,059	10
Natural gas (Mcf/d)	3,193	1,018	214	3,134	564	456
NGLs (bbl/d)	146	74	97	137	62	121
Oil equivalent sales volumes (boe/d @6:1)	**4,085**	3,607	13	**4,029**	3,214	25

Revenue

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Working Interest Revenue[(1)]						
Oil	15,825	17,209	(8)	42,070	46,663	(10)
Natural gas	468	262	79	1,171	415	182
NGLs	195	141	38	529	307	72
Other	246	276	(11)	723	705	3
	16,734	17,888	(6)	**44,493**	48,090	(7)
Royalty Interest Revenue[(1)]						
Oil	167	-	-	542	-	-
Natural gas	80	-	-	232	-	-
NGLs	52	-	-	204	-	-
Other	-	-	-	-	-	-
	299	-	-	**978**	-	-
Total Gross Revenue[(1)]						
Oil	15,992	17,209	(7)	42,612	46,663	(9)
Natural gas	548	262	109	1,403	415	238
NGLs	247	141	75	733	307	139
Other	246	276	(11)	723	705	3
	17,033	17,888	(5)	**45,471**	48,090	(5)

Notes:

(1) Converted from $US at the average foreign exchange rate for the period indicated.

For both the three and nine months ended September 30, 2016, revenue was 5% lower than the prior year, despite an increase in production of 13% and 25%, respectively, period over period. Realized prices per boe for the comparative three and nine month periods decreased by 16% and 25%, respectively, with the greatest price decrease being in gas prices.

Product Prices

Realized Prices	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	%
Oil ($/bbl)	51.02	55.61	(8)	46.15	55.88	(17)
Natural gas ($/Mcf)	1.86	2.80	(34)	1.63	2.70	(40)
NGLs ($/bbl)	18.39	20.58	(11)	19.58	18.27	7
Other ($/bbl)	0.66	0.83	(20)	0.66	0.80	(18)
Revenue ($/boe)	**45.32**	53.90	(16)	**41.19**	54.80	(25)

Benchmark prices	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	%
WTI crude oil ($US/bbl)	44.94	46.43	(3)	41.33	51.00	(23)
Exchange rate ($CA/$US)	1.32	1.12	18	1.32	1.12	19
Edmonton Par crude oil ($CA/bbl)	54.19	55.09	(2)	50.14	59.09	(19)
NYMEX Gas ($US/Mcf)	2.79	2.73	2	2.34	2.76	(23)
AECO natural gas ($CA/Mcf)	2.36	2.91	(19)	1.87	2.78	(42)

Eagle's quarterly total gross revenue is 94% derived from oil. Realized oil prices in Canadian dollars for the nine months ended September 30, 2016 decreased by 17% when compared to the nine months ended September 30, 2015. This decrease was less than the benchmark WTI decrease due to narrower negative price differentials.

For Eagle's U.S. properties, there is a quality differential between the benchmark $US WTI price and the $US price realized by Eagle. Eagle enters into field marketing contracts to optimize pricing. Management monitors pricing regularly and endeavours to maximize realized sales prices while minimizing counterparty risk. For the Salt Flat properties, the field marketing contracts use Louisiana Light Sweet ("**LLS**") as a benchmark reference price instead of WTI. For the period January 1, 2016 to March 31, 2016, Eagle had a month-to-month contract with a fixed field pricing adjustment, while allowing the LLS-WTI differential and the Argus P+ differential to float. Commencing April 1, 2016, a new month-to-month term contract was negotiated, resulting in the fixed pricing adjustment improving by $US 1.13 per barrel, while continuing to allow the LLS-WTI differential and the Argus P+ differential to float. For the Hardeman properties to the end of October 2016, field marketing contracts are on a month-to-month term, use WTI as a reference price and hold all other field pricing adjustments fixed. Commencing November 1, 2016, a new month-to-month term contract has been negotiated which results in the fixed price adjustment improving by $US 0.33 per barrel, while letting the Argus P+ differential to float.

For the Dixonville properties in Canada, the entire differential to WTI, including quality and transportation for the third quarter, was a discount of $CA 16.04 per barrel. For the Twining properties in Canada, the entire differential to WTI, including quality and transportation for the third quarter, was a discount of $CA 9.30 per barrel. On October 1, 2015, to mitigate the effect of fluctuating differentials on a portion of its production, Eagle entered into a fixed price financial swap on 1,000 barrels per day of oil, fixing the price differential between Edmonton light sweet and WTI at $US 3.65 per barrel for the period December 1, 2015 to December 31, 2016. The portion of the differential between Edmonton light sweet and realized field price was not fixed in this transaction. The differential was hedged at a narrower amount than the historical WTI to Edmonton light sweet differential.

The above prices do not include realized gains or losses from financial commodity contracts, which amounted to a realized gain of $5.7 million ($5.18/boe) for the nine months ended September 30, 2016. See "Realized and Unrealized Risk Management Gain/Loss".

Royalty Expense

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	**%**	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	**%**
Working interest ($000's)	**4,161**	4,460	(7)	**10,128**	11,572	(12)
$/boe	11.77	13.44	(12)	9.73	13.19	(26)
Royalty interest[(1)] ($000's)	**18**	-	-	**241**	-	-
$/boe	0.79	-	-	3.84	-	-
Total ($000's)	**4,179**	4,460	(6)	**10,369**	11,572	(10)
$/boe[(2)]	11.12	13.44	(17)	9.39	13.19	(29)
Royalty rate on working interest sales:	**25%**	25%	-	**23%**	24%	(5)

Notes:

(1) Freehold mineral tax.

(2) Total $/boe amounts are calculated using working interest and royalty interest volumes.

The overall royalty rate of 23% for the nine months ended September 30, 2016 was slightly lower than the prior year comparative periods due to lower commodity prices and the increase in production from Canadian properties which attract a price-sensitive royalty rate. Canadian properties currently have a royalty rate of approximately 14% compared to an average royalty rate of 29% on the U.S. properties. Production from the Canadian properties for the nine months ended September 30, 2016 comprises 50% of corporate production, up from 37% in 2015. As well, the sliding scale nature of royalties paid on Canadian properties affects the royalty rate. Crown royalty rates in Alberta depend on four components: (i) production volumes; (ii) Alberta PAR commodity prices; (iii) product density; and (iv) Crown royalty percentage. Alberta PAR commodity prices reflect market prices.

For the nine months ended September 30, 2016, royalties paid decreased by 29% on a per boe basis when compared to the prior year. This decrease is attributable to lower realized commodity pricing resulting from the decline in the WTI benchmark price over the 2015 comparative and the increased exposure to the Canadian royalty structure that adjusts with movements in commodity price. Royalty rates for Eagle's U.S. properties do not generally fluctuate with underlying commodity prices.

Operating Costs

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Working interest ($000's)						
Operating costs	6,029	5,868	3	17,156	16,468	4
Transportation and marketing expenses	535	605	(12)	1,601	1,638	(2)
	6,564	6,473	1	**18,757**	18,106	4
($/boe)						
Operating costs	17.06	17.68	(3)	16.48	18.77	(12)
Transportation and marketing expenses	1.51	1.82	(17)	1.54	1.87	(18)
	18.57	19.50	(5)	**18.02**	20.64	(13)
Royalty interest ($000's)						
Operating costs	-	-	-	-	-	-
Transportation and marketing expenses	-	-	-	-	-	-
	-	-	-	-	-	-
($/boe)						
Operating costs	-	-	-	-	-	-
Transportation and marketing expenses	-	-	-	-	-	-
	-	-	-	-	-	-
Total operating expenses ($000's)						
Operating costs	6,029	5,868	3	17,156	16,648	3
Transportation and marketing expenses	535	605	(12)	1,601	1,638	(2)
	6,564	6,473	1	**18,757**	18,106	4
($/boe)(1)						
Operating costs	16.04	17.68	(9)	15.54	18.77	(17)
Transportation and marketing expenses	1.42	1.82	(22)	1.45	1.87	(22)
	17.46	19.50	(10)	**16.99**	20.64	(18)

Notes:

(1) Total $/boe amounts are calculated using working interest and royalty interest average volumes of 4,085 boe/d for the three months ended September 30, 2016 and 4,029 boe/d for the nine months ended September 30, 2016.

Eagle expects full year 2016 operating costs to come in at the low end of its stated monthly operating cost guidance range of $2.0 to $2.4 million per month.

Per boe operating costs (inclusive of transportation and marketing expenses) increased 10% from the second quarter of 2016 ($17.46 per boe compared to $15.71 per boe), but were 10% lower than the prior year comparative quarter. When compared to the second quarter of 2016, third quarter charges include $160,000 for prior year non-operated facility equalization costs in the Twining area and annual regulatory charges of $100,000 relating to the Canadian properties. Eagle also performed a number of pump repairs and salt water disposal repairs on its operated properties during the third quarter.

Operating costs (inclusive of transportation and marketing expenses) totaling $6.6 million for the three months ended September 30, 2016 are comprised primarily of power (21%), chemicals (8%), oil transportation (7%), water disposal fees (7%) and field salaries (7%). For the nine months ended September 30, 2015, operating costs of $18.8 million were comprised primarily of power (19%), chemicals (8%), oil transportation (8%), water disposal fees (7%) and field salaries (7%).

Both Canadian and U.S. properties saw a reduction in per boe operating costs in the three and nine months ended September 30, 2016 when compared to the same period in 2015 due to Eagle's cost reduction initiatives. The addition of the Twining property in the third quarter of 2015 and the Maple Leaf properties in the first quarter of 2016 added to absolute third quarter 2016 operating costs when compared to the third quarter of 2015.

Quarter-over-quarter transportation and marketing expenses on a per boe basis are lower due to lower negotiated trucking contracts in Canada. The transportation costs for the U.S. wells have decreased due to improved marketing charges that were negotiated for the U.S. properties.

Field Netback

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		**Nine Months Ended September 30, 2016**		Nine Months Ended September 30, 2015	
	$000's	**$/boe**	$000's	$/boe	**$000's**	**$/boe**	$000's	$/boe
Revenue	17,033	45.32	17,888	53.90	45,471	41.19	48,090	54.80
Royalty expense	(4,179)	(11.12)	(4,460)	(13.44)	(10,369)	(9.39)	(11,572)	(13.19)
Operating expenses	(6,029)	(16.04)	(5,868)	(17.68)	(17,156)	(15.54)	(16,468)	(18.77)
Transportation and marketing expenses	(535)	(1.42)	(605)	(1.82)	(1,601)	(1.45)	(1,638)	(1.87)
Field netback	**6,290**	**16.74**	6,955	20.96	**16,345**	**14.81**	18,412	20.97
Sales volumes (boe/d)		**4,085**		3,607		**4,029**		3,214

When compared to the prior year comparative periods, the decrease in field netback is primarily due to the decrease in commodity prices being partially offset by the results of Eagle's efforts to lower field operating expenses, as well as lower price-sensitive royalty expense for Canadian properties.

Field netback is a Non-IFRS financial measure. See the section below titled "Non-IFRS Financial Measures".

Administrative Expenses

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Administrative expenses ($000's)	**2,324**	2,880	(19)	**8,464**	7,684	10
$/boe	**6.18**	8.68	(29)	**7.67**	8.76	(12)

Total administrative expenses for the three months ended September 30, 2016 were $2.3 million, approximately 21% of full year 2016 expected levels. Staff and related employment costs, office costs and professional fees accounted for 74%, 13% and 8% respectively of administrative expenses for the three months ended September 30, 2016. For the nine months ended September 30, 2016, total administrative expenses were $8.5 million, representing approximately 77% of full year expected levels. Staff and related employment costs, professional fees and office costs accounted for 66%, 19% and 11% respectively of administrative expenses for the nine months ended September 30, 2016. Costs increased over the prior year comparative period primarily due to $1.0 million of costs related to the January 2016 acquisition of Maple Leaf and conversion from a trust to a corporate entity. $325,000 of these acquisition costs were settled through the issuance of shares and were therefore a non-cash expenditure.

Looking forward, rent for the Calgary office is expected to be lower as a result of the amended lease (see the "Commitments" section of this MD&A) and overhead recoveries are expected to increase as a result of Eagle assuming operatorship of the Dixonville properties on June 1, 2016 and of the Twining properties on August 1, 2016.

Realized and Unrealized Risk Management Gain/Loss

As part of Eagle's ongoing strategy to mitigate the effects of fluctuating prices on a portion of its production, the following contracts have been put in place:

	Volume	*Measure*	*Beginning*	*Term*	*Floor $US*	*Ceiling $US*
Oil Fixed Price						
NYMEX (i)	500	bbls/d	Jan-16	Dec-16	65.00	65.00
NYMEX (i)	500	bbls/d	Jan-16	Dec-16	53.32	53.32
NYMEX (i)	400	bbls/d	Aug-16	Dec-16	40.05	40.05
NYMEX (i)	300	bbls/d	Aug-16	Dec-16	40.27	40.27
NYMEX (i)	375	bbls/d	Jan-17	Dec-17	45.10	45.10
NYMEX (i)	375	bbls/d	Jan-17	Dec-17	44.75	44.75
Gas Fixed Price						
CGPR ALT daily spot (ii)	1,500	GJs/day	Jan-16	Dec-16	$CA 2.83	$CA 2.83
Differential						
Oil Edmonton SW (iii)	1,000	bbls/d	Dec-15	Dec-16	3.65	3.65

(i) Represents a fixed price financial swap transaction with a set forward sale price (WTI reference prices).

(ii) Represents a fixed price financial swap transaction with a set forward sale price (Alberta daily spot price averages).

(iii) Represents a fixed price differential between Edmonton SW Blended oil and WTI.

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Realized loss (gain)	(1,260)	(3,774)	(67)	(5,720)	(16,696)	(66)
Unrealized loss (gain)	(127)	(3,808)	(97)	10,773	8,359	29
Net loss (gain)	**(1,387)**	(7,582)	(82)	**5,053**	(8,337)	(161)

On a quarter-over-quarter basis, the net value of the commodity price contracts decreased. The net value of the commodity price contracts moved from a net asset as at December 31, 2015 to a net liability at September 30, 2016. Net value of the contracts is dependent upon current and forward commodity pricing and, in the case of realized gains and losses, the price of the contract relative to the benchmark oil price at time of settlement. Although Eagle currently has no intention to unwind the contracts that are in place, it is required to calculate and record, using a mark-to-market valuation, the fair value of the remaining term of the contracts at the end of each reporting period, hence the change in value of the unrealized portion of the commodity contracts. When compared to the third quarter of 2015, the forward commodity pricing environment and the average hedge price decreased, which caused the future value of the unrealized contracts to decrease on the balance sheet at September 30, 2016.

Eagle had 1,633 boe/d hedged at an average WTI price of $US 51.42 for the third quarter of 2016, and 1,435 boe/d hedged at an average WTI price of $US 52.69 for the nine months ended September 30, 2016. For the remainder of 2016, Eagle has 1,700 boe/d hedged at an average WTI price of $US 51.33. For 2017, Eagle has hedges in places with a weighted average forward sale price of $US 44.93 WTI per barrel on 750 boe/d. In addition, Eagle has a natural gas hedge on 1,500 GJs per day at a fixed price of $CA 2.83 per GJ for the period January 1, 2016 to December 31, 2016.

Eagle also has a fixed price financial swap on 1,000 boe/d of oil fixing the differential between Edmonton light sweet and WTI at $US 3.65 per barrel for the period December 1, 2015 to December 31, 2016.

Finance Expense

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Finance expense ($000's)	**839**	653	28	**2,652**	2,109	26
$/boe	**2.23**	1.64	36	**2.40**	1.93	24

For the three months and nine months ended September 30, 2016, finance expense increased over the prior year's comparative period due to higher outstanding advances on Eagle's credit facility and an increase in interest rates. The average outstanding debt for the nine months ended September 30, 2015 was $44.9 million, compared to $64.9 million for the nine months ended September 31, 2016.

For the nine months ended September 30, 2016, the effective interest rate on bank debt for the period was 3.5% compared to 3.3% for the comparable period in 2015. During the quarter, Eagle borrowed by way of banker's acceptance (funds drawn were denominated in Canadian dollars), which was lower than the prime rate option on its borrowings. The prior year's comparative quarter also utilized borrowings by way of banker's acceptance (funds drawn were denominated in Canadian dollars), which was lower than the prime rate option on its borrowings.

Funds Flow from Operations

The following table summarizes funds flow from operations on an absolute and on a per boe basis:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		**Nine Months Ended September 30, 2016**		Nine Months Ended September 30, 2015	
	$000's	**$/boe**	$000's	$/boe	**$000's**	**$/boe**	$000's	$/boe
Field netback	6,290	16.74	6,955	20.96	16,345	14.81	18,412	20.98
Cash settled award payments	(10)	(0.03)	(57)	(0.17)	(53)	(0.05)	(171)	(0.19)
Administrative expenses - cash	(2,324)	(6.18)	(2,880)	(8.68)	(8,139)	(7.37)	(7,684)	(8.76)
Realized risk management gain	1,260	3.35	3,774	11.37	5,720	5.18	16,696	19.03
Finance expense	(632)	(1.68)	(459)	(1.37)	(1,935)	(1.75)	(1,482)	(1.69)
Income tax recovery (expense)	-	-	1	-	(36)	(0.03)	45	0.05
Realized foreign exchange loss[1]	(2)	(0.01)	(3)	(0.01)	(5)	-	(226)	(0.26)
Funds flow from operations	**4,582**	**12.19**	7,331	22.09	**11,897**	**10.79**	25,590	29.16

Note:

(1) This represents settled foreign currency transactions related to operating activities.

Field netback is a non-IFRS financial measures. See section below titled "Non-IFRS Financial Measures".

Share-based Compensation

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Share-based compensation expense (recovery)	**118**	(1,225)	(110)	**89**	(357)	(125)

A non-cash, share-based compensation expense of $108,000 was recorded during the third quarter of 2016 and $10,000 was paid out in cash for amounts related to vested RURs for a total expense of $118,000. The decrease in

RUR payments from $56,925 in the third quarter of 2015 is due to the reduction in Eagle's monthly cash dividend as RUR payments track with dividends.

Eagle's share-based compensation program presently consists of: (i) a new long-term equity compensation incentive plan ("**2016 Equity Incentive Plan**"), which was implemented following the closing of the Arrangement, and under which Restricted Share Units ("**RSUs**") and Performance Share Units ("**PSUs**") were awarded; and (ii) cash-settled restricted unit rights ("**RUR**") agreements, which were in place prior to the closing of the Arrangement and have been adjusted to entitle holders to identical rights, terms and conditions.

The cash-settled Unit Rights ("**URs**") previously in place that were granted to U.S.-based officers, employees and certain consultants of Eagle Hydrocarbons Inc. were voluntarily cancelled on February 23, 2016 and the UR Plan was terminated on March 31, 2016.

Effective June 9, 2016, all holders of options outstanding under the previously in place 2010 Option Plan agreed to a voluntary cancellation of options and the 2010 Option Plan was terminated.

Depreciation, Depletion and Amortization

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**%**	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	**%**
Depreciation, depletion and amortization	**5,662**	8,173	(31)	**16,690**	20,376	(18)

The depletion, depreciation, and amortization provision for the three and nine months ended September 30, 2016 for all properties except the Maple Leaf properties was based on proved plus probable reserves, including the future development costs associated with those reserves, as outlined in the year-end 2015 reserves evaluation report prepared by Eagle's independent reserves evaluators. The depletion calculation for the Maple Leaf properties was calculated using proved plus probable reserves as calculated by Eagle's internal qualified reserves evaluator.

For the Dixonville properties, despite similar reserves year-over-year, a significant decrease in carrying value due to an impairment charge at the end of 2015 resulted in a lower per boe depletion rate when compared to the third quarter of 2015, from $11.43 to $7.85 per boe. The lower rate, combined with a slight decrease in production resulted in a decrease in total depletion for the Dixonville area of $410,000 when compared to the third quarter of 2015.

The Twining area properties were acquired in the third quarter of 2015. The depletion rate for these properties in the third quarter of 2016 was $13.04 per boe, compared to $13.01 in the second quarter of 2016.

For the Hardeman properties, a decrease in carrying value due to an impairment charge, along with a slight decrease in reserves primarily attributed to lower prices, resulted in a lower per boe depletion rate of $US 15.93 ($CA 21.06) in the third quarter of 2016 compared to $US 18.51 ($CA 23.33) in the third quarter of 2015. The lower rate, combined with a 24% decrease in quarter-over-quarter production, resulted in lower depletion for the Hardeman area of $US 329,000 ($CA 415,000), when compared to the third quarter of 2015.

For the Salt Flat properties, a 40% decrease in carrying value due to a 2015 impairment, along with a slight decrease in reserves primarily attributed to lower prices, resulted in a per boe depletion rate of $US 16.69 ($CA 21.06) in the third quarter of 2016 compared to $US 25.83 ($CA 32.54) in the third quarter of 2015. Total depletion for the Salt Flat area for the three months ended September 30, 2016 decreased by $US 1.6 million ($CA 2.1 million) due to a decrease in the carrying value.

In the third quarter of 2015, assets acquired from the acquisition were added to the carrying value thereby increasing the depletion amount; however, due to the low price oil environment at the end of 2015, impairments were taken on all of Eagle's properties which resulted in lower current carrying values. The effect on the amount of depletion booked in 2016 of the lower carrying value of Eagle's properties was slightly offset by increased production volumes, but depletion decreased by 31% in the third quarter of 2016 when compared to the third quarter of 2015.

At September 30, 2016, Eagle assessed each of its CGUs and determined that there were no indicators of impairment. An assessment will be done for year-end 2016.

Foreign Exchange Loss (Gain) on Intercompany Loan

The foreign exchange loss (gain) on an intercompany loan is a non-cash entry resulting from the U.S. subsidiary holding a Canadian dollar denominated loan issued by its parent, Eagle Energy Trust. Although the intercompany loan is eliminated on consolidation, it is no longer considered part of the net investment in the subsidiary because amounts were previously repaid, thus making it a requirement to record the effects of changes in period-end foreign exchange rates in earnings or loss.

For the nine months ended September 30, 2016, Eagle recorded a foreign exchange loss of $4.3 million primarily due to a decrease in the average foreign exchange rate from the fourth quarter of 2015.

Capital Expenditures

Capital expenditures during the three month and nine month periods ended September 30, 2016 were as follows:

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Exploration and evaluation[1]	-	-	5	-
Acquisition	-	27,337	5,144	27,337
Intangible drilling and completions	76	935	3,203	7,677
Well equipment and facilities	688	708	1,390	3,410
Other	5	56	5	60
Total	**769**	29,036	**9,747**	38,484

Note:

(1) Exploration and evaluation expenditures relate to amounts spent to which no proven reserves are yet assigned.

Summary of Quarterly Results

	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015	Q4/2014
($000's except for boe/d and per share amounts)								
Sales volumes – boe/d	4,085	4,147	3,854	3,783	3,607	3,034	2,995	1,929
Revenue, net of royalties	12,854	13,149	9,099	11,603	13,428	12,884	10,206	10,238
per boe	34.20	34.84	25.94	33.34	40.46	46.66	37.86	57.67
Operating costs	6,564	5,928	6,265	6,356	6,473	5,171	5,978	3,396
per boe	17.46	15.71	17.86	18.26	19.50	18.73	22.18	19.13
Field netback	6,290	7,221	2,834	5,246	6,956	7,713	3,744	6,841
per boe	16.74	19.13	8.08	15.08	20.96	27.94	13.89	38.54
Funds flow from operations	4,582	5,148	2,167	5,147	7,332	10,532	7,727	5,670
per boe	12.19	13.64	6.18	14.79	22.09	38.14	28.67	31.94
per share – basic	0.11	0.12	0.05	0.15	0.21	0.30	0.22	0.16
per share – diluted	0.11	0.12	0.05	0.15	0.21	0.30	0.22	0.15
Earnings (loss)	52	(9,288)	(11,713)	(23,198)	(51,784)	(6,541)	5,477	(35,192)
per share – basic	-	(0.23)	(0.29)	(0.67)	(1.48)	(0.19)	0.16	(1.01)
per share - diluted	-	(0.23)	(0.29)	(0.67)	(1.48)	(0.19)	0.16	(1.13)
Cash dividends paid	636	1,274	1,584	2,614	3,143	3,130	3,153	7,159
per issued share	0.005	0.03	0.04	0.07	0.09	0.09	0.09	0.21
Current assets	9,787	10,618	12,829	19,767	21,862	13,382	31,459	33,245
Current liabilities	72,387	75,035	5,472	9,397	8,033	7,754	8,642	10,720
Total assets	190,945	195,044	199,708	208,572	228,959	245,009	265,342	257,172
Total non-current liabilities	31,690	32,397	96,317	92,616	91,316	52,012	60,835	57,547
Shareholders' equity	86,868	87,612	97,919	106,559	129,611	185,243	195,865	188,905
Shares issued	42,452	42,452	42,452	34,863	34,893	34,961	35,023	35,017

For the three months ended September 30, 2016, sales volumes were stable when compared to the previous quarter.

Funds flow from operations decreased in the third quarter of 2016 versus the second quarter of 2016 due to higher royalty rates on Canadian production and increased operating costs related to prior year non-operated facility charges, annually billed regulatory charges and operated property repairs. These increases were partially offset by higher realized commodity prices and lower general and administrative expenses. Realized oil prices remained fairly constant, while natural gas prices increased compared to the second quarter of 2016.

Earnings (loss) on a quarterly basis often does not move directionally or by the same amount as movements in funds flow from operations. This is primarily due to items of a non-cash nature that factor into the calculation of earnings (loss), and those that are required to be fair valued at each quarter end. Third quarter 2016 funds flow from operations decreased 11% from the second quarter 2016 while quarterly earnings increased in the third quarter primarily as rising forward commodity prices caused a mark-to-market risk management gain of $1.4 million in the third quarter, compared to a risk management loss of $7.0 million in the second quarter.

Segmented Operations

Eagle's operating activities relate solely to the exploration, development and production of petroleum and natural gas resources in the United States and Canada. Costs incurred in the corporate segment relate to Eagle's hedging program and other expenses incurred in overall financing and administration of Eagle.

United States

Production	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	%
Working interest						
Oil (bbl/d)	1,970	2,151	(8)	1,935	1,900	2
Natural gas (Mcf/d)	233	318	(27)	239	277	(14)
NGLs (bbl/d)	45	60	(25)	43	57	(25)
Oil equivalent sales volumes (boe/d @ 6:1)	**2,054**	2,264	(9)	**2,018**	2,003	1
Royalty interest						
Oil (bbl/d)	-	-	-	-	-	-
Natural gas (Mcf/d)	-	-	-	-	-	-
NGLs (bbl/d)	-	-	-	-	-	-
Oil equivalent sales volumes (boe/d @ 6:1)	**-**	-	-	**-**	-	-
Total						
Oil (bbl/d)	1,970	2,151	(8)	1,935	1,900	2
Natural gas (Mcf/d)	233	318	(27)	239	277	(14)
NGLs (bbl/d)	45	60	(25)	43	57	(25)
Oil equivalent sales volumes (boe/d @ 6:1)	**2,054**	2,264	(9)	**2,018**	2,003	1

Field Netback ($000's)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	%
Gross revenue	10,389	12,022	(14)	27,807	32,993	(16)
Royalty expense	(3,094)	(3,420)	(10)	(7,978)	(9,409)	(15)
Operating expenses	(2,868)	(3,481)	(18)	(8,912)	(10,076)	(12)
Transportation and marketing expenses	(15)	(26)	(42)	(48)	(88)	(45)
Field netback	**4,412**	5,095	(13)	**10,869**	13,420	(19)
($/boe)						
Gross revenue	54.58	57.72	(5)	50.30	60.33	(17)
Royalty expense	(16.25)	(16.42)	(1)	(14.43)	(17.20)	(16)
Operating expenses	(15.07)	(16.71)	(10)	(16.12)	(18.42)	(12)
Transportation and marketing expenses	(0.08)	(0.12)	(33)	(0.09)	(0.16)	(44)
Field netback	**23.18**	24.47	(5)	**19.66**	24.55	(20)

Capital Activity	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Capital expenditures ($000's)	241	1,554	(84)	3,972	11,130	(64)
Wells drilled (rig -released)						
Gross	-	-	-	2	6	(67)
Net	-	-	-	2.0	6.0	(67)
Wells brought on-stream						
Gross	-	1.0	(100)	2	5	(60)
Net	-	1.0	(100)	2.0	5.0	(60)

During the third quarter of 2016, capital expenditures were $0.2 million in the United States with average working interest sales volumes of 2,054 boe/d. To date, capital costs have come in considerably under budget and results from the capital program have exceeded expectations with Eagle expecting to achieve the upper range of its 2016 production guidance.

Revenue for the quarter was received primarily from two customers: Texican Crude Hydrocarbons, LLC and Plains Marketing L.P., with revenue received amounting to $6.4 million (88%) and $1.1 million (11%), respectively. For the third quarter of 2015, $8.8 million (49%) of revenue was received from Eagle's previous marketer, Sunoco Partners Marketing and Terminals LP and $2.4 million (13%) from Plains.

Salt Flat Properties, Texas

During the third quarter, production was down slightly (4%) from second quarter levels due to pump and salt water disposal well repairs.

Hardeman Properties, Texas and Oklahoma

Production in the third quarter decreased approximately 14% from the second quarter of 2016 as a result of downtime related to pump repairs. Production has returned to normal levels and is expected to remain there for the balance of the year.

Canada

Production	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	%
Working interest						
Oil (bbl/d)	1,391	1,212	15	1,386	1,159	20
Natural gas (Mcf/d)	2,030	700	190	2,056	287	616
NGLs (bbl/d)	59	14	319	53	5	968
Oil equivalent sales volumes (boe/d @ 6:1)	**1,788**	1,343	33	**1,782**	1,211	47
Royalty interest						
Oil (bbl/d)	46	-	-	49	-	-
Natural gas (Mcf/d)	931	-	-	841	-	-
NGLs (bbl/d)	42	-	-	40	-	-
Oil equivalent sales volumes (boe/d @ 6:1)	**244**	-	-	**229**	-	-
Total						
Oil (bbl/d)	1,437	1,212	19	1,435	1,159	24
Natural gas (Mcf/d)	2,961	700	323	2,896	287	909
NGLs (bbl/d)	101	14	621	93	5	1,766
Oil equivalent sales volumes (boe/d @ 6:1)	**2,031**	1,343	51	**2,011**	1,211	66

Field Netback ($000's)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	%	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	%
Gross revenue	6,644	5,866	13	17,664	15,097	17
Royalty expense	(1,085)	(1,040)	4	(2,391)	(2,163)	11
Operating expenses	(3,161)	(2,388)	32	(8,244)	(6,392)	29
Transportation and marketing expenses	(520)	(579)	(10)	(1,553)	(1,550)	-
Field netback	**1,878**	1,859	1	**5,476**	4,992	10
($/boe)						
Gross revenue	35.55	47.46	(25)	32.05	45.66	(28)
Royalty expense	(5.81)	(8.42)	(31)	(4.34)	(6.54)	(20)
Operating expenses	(16.91)	(19.32)	(13)	(14.96)	(19.33)	(23)
Transportation and marketing expenses	(2.78)	(4.68)	(41)	(2.82)	(4.69)	(40)
Field netback	**10.05**	15.04	(33)	**9.94**	15.10	(34)

Capital Activity	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Capital expenditures ($000's)	522	(150)	(448)	625	17	3,578
Wells drilled (rig-released)						
Gross	-	-	-	-	-	-
Net	-	-	-	-	-	-
Wells brought on-stream						
Gross	-	-	-	-	-	-
Net	-	-	-	-	-	-

Revenue for the quarter was primarily from Trafigura Canada General Partnership ("**Trafigura**") in the amount of $5.2 million (78%). In the third quarter of 2015, 65% of the revenue was received from Spyglass Resources Corp. with the remainder primarily from Trafigura. During the third quarter of 2016, the royalty rate was approximately 16%, compared to 13% for the nine months ended September 30, 2016 as a result of a higher average Alberta PAR price used to calculate the crown royalties.

Dixonville Properties, Alberta

Further to Eagle assuming operatorship of these properties in June, the Company completed work on several pipeline upgrades to bring shut-in production on-stream. As a result of the pipeline work, ten wells resumed production during the last half of the third quarter, adding approximately 275 boe/d of production gross to the field. In addition, using internal waterflood expertise, Eagle intends to commence a field study to improve the long-term effectiveness of the waterflood and develop a more efficient artificial lift strategy.

Twining Properties, Alberta

Activity in the Twining area focused on operational maintenance and production improvements. Production in Twining has remained consistent quarter-over-quarter with minimal production declines.

Other Properties, Alberta

Working interest and royalty interest production from these non-operated properties acquired pursuant to the January 27, 2016 acquisition was maintained with no capital expenditures.

Corporate

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	%	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015	%
Administrative expenses - cash	(2,324)	(2,880)	(19)	(8,139)	(7,684)	6
Risk management gain - realized	1,260	3,774	(67)	5,720	16,696	(66)
Cash settled award payments	(10)	(57)	(82)	(53)	(171)	(69)
Finance expense	(632)	(459)	38	(1,935)	(1,482)	31
Income tax recovery (expense)	-	-	-	(36)	45	(180)
Realized foreign exchange loss	(2)	(3)	(33)	(5)	(226)	(98)
	(1,708)	375	(555)	**(4,448)**	7,133	(162)

Liquidity and Capital Resources

Generally, three sources of funding are available to Eagle: (1) internally generated funds flow from operations; (2) debt financing, when appropriate and available on favourable terms; and (3) the issuance of additional shares, if available on favourable terms.

For 2016, Eagle is targeting a corporate payout ratio at or below 100% and therefore believes that its expected funds flow from operations and undrawn credit facility will be sufficient to fund its current and expected financial obligations. Eagle expects that its year-end 2016 net debt will be reduced to approximately $59 million, affording Eagle 16% headroom on its $70 million authorized credit facility, which was reaffirmed on November 3, 2016. Refer to the "2016 Outlook" section for a discussion of Eagle's future plans. Other than the items noted in the "Commitments" section of this MD&A, capital spending and dividends are discretionary.

Eagle's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Eagle manages its capital structure and makes adjustments to it based upon economic conditions and the risk characteristics of the underlying oil and natural gas assets. Eagle sets its dividend levels monthly, as well as prepares annual capital expenditure and operating budgets, which are updated as necessary depending on factors such as current and forecast prices, successful capital deployment, authorized borrowing base levels and general industry conditions. Eagle actively manages its liquidity through cash, debt and equity management strategies. Such strategies include continuously monitoring forecast and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to refinance existing first-lien debt, issue subordinated debt or issue additional common shares.

Credit Agreement

As of September 30, 2016, Eagle had approximately $5.1 million of unused credit on its $70.0 million dollar credit agreement (the "**Credit Agreement**"), which is held with a syndicate of Canadian chartered banks. The amount drawn on the Credit Agreement is now classified as a "current" instead of a "non-current" liability. This is because the May 27, 2017 maturity date of the Credit Agreement falls within twelve months of the September 30, 2016 balance sheet date, as described below. Amounts drawn on the Credit Agreement were $64.9 million, primarily by way of bankers' acceptances.

At September 30, 2016, there were no covenant violations under or in connection with the Credit Agreement.

By the end of the third quarter, Eagle was 92% through its forecast 2016 capital budget of $5.0 million, expects its year-end 2016 net debt to be reduced to approximately $59 million from its third quarter 2016 ending level of $61.2 million and expects its year-end 2016 debt to trailing funds flow from operations ratio to be approximately 3.5x. Refer to the "2016 Outlook" section of this MD&A.

On May 31, 2016, Eagle finalized its semi-annual borrowing base redetermination which resulted in: (i) amendments being made to its Credit Agreement; (ii) a borrowing base level being set at $CA 70 million; and, (iii) a maturity date of May 27, 2017 remaining unchanged. Security granted under the Credit Agreement remained unchanged and is by way of a first priority security interest on substantially all of the property and assets of Eagle Energy Inc. and Eagle Hydrocarbons Inc. (each a borrower under the Credit Agreement). A summary of the significant amendments made to the Credit Agreement effective May 31, 2016 is set forth below and a redacted version of the entire Credit Agreement can be found under Eagle's issuer profile on SEDAR at www.sedar.com.

Prior to the May 31, 2016 redetermination, the most recent semi-annual borrowing base redetermination had closed October 7, 2015 and resulted in a borrowing base level being set at $US 80 million. In the period between the October 2015 and the May 2016 redeterminations, sustained weakness in global commodity prices resulted in downward pressure on the commodity price decks used by lenders when determining borrowing base levels.

On November 3, 2016, Eagle finalized its semi-annual borrowing base redetermination with the borrowing base level of $CA 70 million and all other terms and conditions, including the May 27, 2017 maturity date, remaining unchanged.

The next semi-annual borrowing base redetermination is scheduled to be finalized no later than May 27, 2017 and will be conducted based on the independent engineering report of Eagle effective December 31, 2016 and the lenders' price forecasts then in effect. Current and forward crude oil prices have recovered from their lows in early February 2016 (which also corresponded to the time when lenders performed year-end borrowing base reviews) and Eagle anticipates that a rebound in oil price levels will be incorporated into lenders' borrowing base redeterminations affording Eagle increased liquidity and flexibility. In the event, however, that a borrowing base redetermination results in a reduction of the borrowing base below the aggregate amounts outstanding under the Credit Agreement (such that a "borrowing base deficiency" exists), the Credit Agreement instructs that Eagle shall, after receipt of written notice from the lenders regarding such deficiency, take any of the following actions and notify the lenders of its election of the following actions within ten days after receipt of the deficiency notice from the lenders: (1) repay the borrowing base deficiency within ten days; (2) pledge additional acceptable collateral such that the borrowing base deficiency is cured within 30 days; or (3) deliver an election in writing to the lender to agree to repay the borrowing

base deficiency within 30 days. A failure by Eagle to take such actions to remedy any borrowing base deficiency within the time periods specified above would constitute an event of default.

Summary of Significant Amendments to Covenants, Terms and Conditions of Credit Facility

Under the Credit Agreement, Eagle is required to satisfy certain customary affirmative and negative covenants, including financial covenants. The following is a summary of the significant amendments made to the Credit Agreement's covenants, terms and conditions that were made effective May 31, 2016 and which remained in effect after finalization of the semi-annual borrowing base redetermination on November 3, 2016.

- The borrowing base remains at $CA 70 million.
- The covenant that restricts Eagle from paying dividends to its shareholders if any default, event of default or borrowing base deficiency has occurred and is continuing, or would result from such dividend, or, if the cash dividend payments made for the trailing four quarters exceeds the Available Distributable Cash Flow (as defined in the Credit Agreement, and which was $16.7 million at September 30, 2016) for the trailing four quarters, remained unchanged.
- A covenant remains that restricts Eagle from paying dividends in an amount that exceeds $0.005 (half a cent) per share per month, beginning with the dividend declared in July 2016 (which was paid in August 2016) and ending with any dividend that may be declared in June 2017 (which would be payable in July 2017).
- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a maximum debt to four quarter trailing EBITDAX ratio of 3.00 to 1.00, was amended to proactively manage the effect that the precipitous drop in oil prices will have on this trailing covenant calculation. Beginning with the fiscal quarter ending June 30, 2016, and for five quarters through to and including the fiscal quarter ending June 30, 2017, the maximum ratios are amended as follows: for the fiscal quarter ending June 30, 2016 - 4.00 to 1.00; for the fiscal quarter ending September 30, 2016 - 5.00 to 1.00; for each fiscal quarter ending December 31, 2016 through to the fiscal quarter ending June 30, 2017 – 6.00 to 1.00; and for each fiscal quarter ending after June 30, 2017, 3.00 to 1.00. The definition of EBITDAX remains unchanged from that disclosed in Eagle's 2015 annual financial statements. The debt to four quarter trailing EBITDAX ratio at September 30, 2016 was 3.2 to 1.00.
- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a minimum current ratio of not less than 1.00 to 1.00 remained unchanged. The current ratio excludes the current portion of the long term debt. The current ratio at September 30, 2016 was 2.8 to 1.00.
- The maturity date of the Credit Agreement remained unchanged at May 27, 2017. This date represents the date (the "commitment termination date") through which the syndicate of Canadian bank lenders are obligated under the terms and conditions set forth in the Credit Agreement to make advances to Eagle up to the authorized borrowing base amount in effect from time to time. The Credit Agreement continues to be subject to semi-annual (November and May) redeterminations of the borrowing base by the lenders. In the event that, prior to May 27, 2017, (i) Eagle and its syndicate of Canadian bank lenders have not amended the Credit Agreement to reflect a later maturity date, or (ii) Eagle does not repay amounts outstanding under the existing Credit Agreement by refinancing with a new credit agreement (which may or may not include some of the existing syndicate of Canadian bank lenders), the Credit Agreement instructs that Eagle shall repay all outstanding principal and accrued interest amounts on May 27, 2017. Since Eagle currently estimates the present value of its proved developed producing reserves (the reserves category primarily used by lenders when determining borrowing base levels) effective August 1, 2016 discounted at 10% and using early-September 2016 forward pricing assumptions to be in excess of its current $CA 70 million borrowing base by approximately 70%, Eagle expects that it is likely either a refinancing or an amendment to extend the maturity date will occur prior to May 27, 2017. However, there can be no assurance that such a refinancing or extension will be successful.

Working Capital

At September 30, 2016, Eagle had a $61.2 million working capital deficit which excludes the $1.3 million risk management asset and the $2.6 million risk management liability, but includes the $64.9 million drawn on its $CA 70 million Credit Agreement described above. The amount drawn on the Credit Agreement is included in current liabilities because the May 27, 2017 Credit Agreement maturity date falls within twelve months of the third quarter balance sheet date of September 30, 2016, thereby requiring the amount drawn on the Credit Agreement to be reclassified as a "current" instead of a "non-current" liability.

Shareholders' Equity, Dividends and Outstanding Share Data

From January 21, 2015 to January 20, 2016, Eagle had a normal course issuer bid ("**NCIB**") in place. Under the NCIB, Eagle could purchase for cancellation up to 2,852,829 of its then units, representing ten percent of its public float as of January 16, 2015. No purchases were made under the NCIB during 2016 and the NCIB was not renewed.

Eagle pays monthly dividends to shareholders at the discretion of the Board of Directors. Effective with the dividend declared for February 29, 2016, Eagle reduced its monthly dividend to $0.01 (one cent) per share from $0.015 (one and a half cent) per share, concurrent with announcing a 51% reduction in its 2016 capital program, both of which were in response to the significant and ongoing uncertainty and volatility in commodity prices at that time. With that reduction, Eagle's corporate payout ratio was expected to be at or below 100%, keeping Eagle on track to conduct business within cash flow. However, the May 31, 2016 Credit Agreement amendment contained a requirement of Eagle's lenders to further reduce its dividend to not exceed half a cent per month. Eagle reduced its monthly dividend to $0.005 (half a cent) per share ($0.06 annualized) beginning with the June 2016 dividend payable on July 22, 2016. In addition, the Credit Agreement contains a covenant that restricts Eagle from paying dividends to its shareholders if any default, event of default or borrowing base deficiency has occurred and is continuing or would result from such dividend, or if the cash dividend payments made for the trailing four quarters exceeds the Available Distributable Cash Flow (as defined in the Credit Agreement). At September 30, 2016, there were no covenant violations under or in connection with the Credit Agreement. In addition, Eagle expects that it is likely either a refinancing or an amendment to extend the maturity date will occur prior to the May 27, 2017 maturity date of the Credit Agreement. There can be no assurance, however, that such refinancing or extension will be successful, and dividends would be curtailed in those circumstances.

Cash dividends paid in the third quarter (for the June 30, 2016, July 29, 2016 and August 31, 2016 record dates) totalled approximately $0.6 million. Cash dividends paid for the nine months ended September 30, 2016 totalled approximately $3.5 million.

On January 27, 2016, Eagle Energy Trust closed the Arrangement involving the acquisition, by way of share exchange, of Maple Leaf and conversion of the Trust into a corporate structure. Pursuant to the Arrangement, the Trust's units were exchanged indirectly for Eagle common shares on a one-for-one basis, which resulted in 34,863,364 common shares being issued. In addition, Eagle acquired all of the issued and outstanding common shares of Maple Leaf on the basis of 0.0947 of a common share of Eagle being issued for each outstanding common share of Maple Leaf, resulting in 7,141,815 common shares of Eagle being issued. In addition, Eagle issued 446,444 common shares to terminate the Maple Leaf management agreement. After the Arrangement, former unitholders of Eagle Energy Trust held approximately 82% of the 42,451,623 outstanding common shares of Eagle.

At September 30, 2016, Eagle had issued 42,451,623 shares (December 31, 2015 – 34,863,634; September 30, 2015 – 34,893,364).

As at the date of this MD&A, 42,451,623 shares are issued and outstanding and 1,799,406 RSUs and 706,562 PSUs have been issued.

Commitments

Eagle has committed to future payments as follows:

$000's	Total	Less than 1 year	1 – 3 years	Greater than 3 years
Operating leases (1) (2) (3)	3,463	833	1,537	1,093
Total contractual obligations	**3,463**	**833**	**1,537**	**1,093**

Notes:

(1) On January 1, 2013, Eagle entered into a lease for office space in Calgary which originally had an approximate 61 month term from January 8, 2013 to February 7, 2018. In May 2016, the lease was amended to extend the lease term and decrease the annual basic rental charge. The new term began August 1, 2016 and terminates February 28, 2023. Total minimum lease payments during the term of the lease from August 1, 2016 through February 28, 2023 approximate $3.1 million and include a leasehold improvement allowance up to $0.2 million, with 77 months and approximately $2.9 million remaining at September 30, 2016.

(2) On August 20, 2015, concurrent with the closing of an acquisition, Eagle assumed an office lease obligation. The term of the lease is from March 1, 2011 to February 28, 2017. Total minimum lease payments during the term of the lease approximate $1.4 million, with 5 months and approximately $0.1 million remaining at September 30, 2016.

(3) Eagle entered into a lease in Houston on April 1, 2011, which originally had an approximate 30 month term from April 7, 2011 through September 30, 2013. On November 21, 2012, the lease was extended for an additional 63 month period from October 1, 2013 to December 31, 2017 and the premise space was expanded to incorporate additional square footage. Total minimum lease payments during the term of the lease include a leasehold improvement allowance of $US 0.1 million and approximate $US 0.9 million, with 15 months and approximately $US 0.37 million

remaining at September 30, 2016. In $CA, the remaining future minimum lease payments approximate $0.5 million translated at the exchange rate in effect at the balance sheet date of $US 1 equal to $CA 1.31.

Non-IFRS Financial Measures

Statements throughout this MD&A make reference to the terms “field netback”, “basic payout ratio” and “corporate payout ratio”, which are non-IFRS financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Management believes that these terms provide useful information to investors and management since such measures reflect the quality of production, the level of profitability, the ability to drive growth through the funding of future capital expenditures and the sustainability of dividends to shareholders.

“**Field netback**” is calculated by subtracting royalties and operating costs from revenues.

“Basic payout ratio” is calculated by dividing shareholder dividends by funds flow from operations.

“Corporate payout ratio” is calculated by dividing capital expenditures (excluding acquisition capital) plus shareholder dividends by funds flow from operations.

No Change in Internal Controls over Financial Reporting and Disclosure Controls and Procedures during the Period July 1, 2016 to September 30, 2016

During the period beginning on July 1, 2016 through September 30, 2016, there was no change in Eagle’s internal controls over financial reporting and disclosure controls and procedures that has materially affected, or is reasonably likely to materially affect, Eagle’s internal controls over financial reporting and disclosure controls and procedures. It should be noted that Eagle’s control system, no matter how well designed, can provide only reasonable but not absolute assurance of detecting, preventing and deterring errors or fraud.

Critical Accounting Estimates

The following changes have been made to Eagle’s critical accounting estimates and judgments in 2016. As a result of the conversion to a corporate structure, the critical accounting estimate titled “Classification of Trust Units as Equity” described in the prior year end financial statements no longer applies after January 27, 2016. In addition, the amount of compensation expense accrued for share based compensation arrangements is subject to management’s best estimate of the future share price and the future outcome of the performance conditions. Further information about Eagle’s critical accounting estimates and judgments can be found in the notes to Eagle’s annual audited consolidated financial statements and MD&A for the year ended December 31, 2015.

Accounting Standards and Interpretations

The accounting policies followed in these interim financial statements are consistent with those of the previous financial year (except for income tax expense for an interim period which is based on an estimated average annual effective income tax rate) and accounting policies adopted as a result of the conversion into a corporate structure.

There were no new or amended standards issued during the three and nine months ended September 30, 2016 which will be applicable to Eagle in future periods.

Note about Forward-Looking Statements

Certain of the statements made and information contained in this MD&A are forward-looking statements and forward-looking information (collectively referred to as “**forward-looking statements**”) within the meaning of Canadian securities laws. All statements other than statements of historic fact are forward-looking statements. Eagle cautions investors that important factors could cause Eagle’s actual results to differ materially from those projected, or set out, in any forward-looking statements included in this MD&A.

In particular, and without limitation, this MD&A contains forward-looking statements pertaining to the following:

- Eagle’s 2016 capital budget and specific uses;
- Eagle’s expected 2016 full year average production, operating costs and field netbacks;
- Eagle’s expected 2016 funds flow from operations, basic payout ratio, corporate payout ratio and debt to trailing funds flow from operations, and sensitivities of some of these metrics to production rates and commodity prices;

- Eagle's expectation that its year-end 2016 net debt will be reduced to approximately $59 million, affording Eagle 16% headroom on its $70 million authorized credit facility;
- anticipated crude oil, natural gas liquids and natural gas production levels and mix;
- Eagle's expectations that its rent for the Calgary office will be lower due to an amended lease and that its overhead recoveries will increase as a result of Eagle assuming operatorship of the Dixonville properties on June 1, 2016 and of the Twining properties on August 1, 2016.
- Eagle's hedging program;
- Eagle's intention to commence a field study to improve the long-term effectiveness of the waterflood and develop a more efficient artificial lift strategy;
- Eagle's expectations regarding dividends;
- Eagle's belief that its expected funds flow from operations and undrawn credit facility will be sufficient to fund its current and expected financial obligations; and
- Eagle's belief that its current estimate of the present value of its proved developed producing reserves (the reserves category primarily used by lenders when determining borrowing base levels) effective August 1, 2016 discounted at 10% and using early September 2016 forward pricing assumptions is in excess of its current borrowing base by approximately 70%, and that it is therefore likely that either a refinancing or an amendment to extend the maturity date of the Credit Agreement will occur prior to May 27, 2017.

With respect to forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things:

- future oil, natural gas liquid and natural gas prices and weighting;
- future currency exchange rates;
- future production levels;
- future recoverability of reserves;
- future dividend levels;
- future capital expenditures and the ability of Eagle to obtain financing or refinancing on acceptable terms for its capital projects, operations and future acquisitions;
- Eagle's 2016 capital budget, which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations;
- not including capital required to pursue future acquisitions in the forecasted capital expenditures;
- estimates of anticipated future production, which is based on the proposed drilling program with a success rate that, in turn, is based upon historical drilling success and an evaluation of the particular wells to be drilled; and
- projected operating costs, which are based on historical information and anticipated changes in the cost of equipment and services.

Eagle's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and those in the AIF.

- volatility of oil, natural gas liquid, and natural gas prices;
- commodity supply and demand;
- fluctuations in currency exchange and interest rates;
- inherent risks and changes in costs associated in the development of petroleum properties;
- ultimate recoverability of reserves;
- timing, results and costs of drilling and production activities;
- availability of financing and capital; and
- new regulations and legislation that apply to Eagle and the operations of its subsidiaries.

Additional risks and uncertainties affecting Eagle are contained in the AIF under the heading "Risk Factors".

As a result of these risks, actual performance and financial results in 2016 may differ materially from any projections of future performance or results expressed or implied by these forward-looking statements. Eagle's production rates, operating costs, field netbacks, drilling program, 2016 capital budget, funds flow from operations, and dividends are subject to change in light of ongoing results, prevailing economic circumstances, obtaining regulatory approvals, obtaining financing, commodity prices and industry conditions and regulations. New factors emerge from time to time, and it is not possible for management to predict all of these factors or to assess, in advance, the impact of each such factor on Eagle's business, or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. Although management believes that the expectations conveyed by the forward-looking

statements are reasonable based on information available to it on the date the forward-looking statements were made, there can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Eagle and its shareholders. Eagle does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise.

Advisory Regarding Oil and Gas Equivalency Measures

This MD&A contains disclosure expressed as "boe" or "boe/d". All oil and natural gas equivalency volumes have been derived using the conversion ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 Mcf:1 bbl would be misleading as an indication of value.

Eagle Energy Inc.

Condensed Consolidated Interim Financial Statements

(in Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2016 and September 30, 2015

Eagle Energy Inc.

Condensed Consolidated Interim Balance Sheets

(Thousands of Canadian dollars) (unaudited)

	Note	**September 30, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash		-	3,089
Trade and other receivables		7,431	5,207
Prepaid expenses		1,105	2,309
Risk management asset	4	1,251	9,162
		9,787	**19,767**
Non-current assets			
Exploration and evaluation assets	13	984	1,033
Oil and gas properties	14	179,524	186,859
Property, plant and equipment		83	168
Other intangible assets		567	745
Deferred income tax	11	-	-
		181,158	**188,805**
Total Assets		**190,945**	**208,572**
LIABILITIES			
Current liabilities			
Trade and other payables		4,637	8,647
Dividends payable		212	523
Share-based payments	8	-	227
Risk management liability	4	2,649	-
Debt	16	64,889	-
		72,387	**9,397**
Non-current liabilities			
Debt	16	-	65,618
Risk management liability	4	600	-
Decommissioning liability	17	31,090	26,998
		31,690	**92,616**
Total Liabilities		**104,077**	**102,013**
SHAREHOLDERS' EQUITY			
Share capital	18	320,012	315,379
Currency reserves	9	35,162	35,615
Contributed surplus	8	262	-
Deficit		(268,568)	(244,435)
Total Shareholders' Equity		**86,868**	**106,559**
Total Liabilities and Shareholders' Equity		**190,945**	**208,572**

The notes are an integral part of these condensed consolidated interim financial statements.
See note 19 “Commitments” and note 20 “Subsequent Event”.

Eagle Energy Inc.

Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

(Thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Revenue		17,033	17,888	45,471	48,090
Royalties		(4,179)	(4,460)	(10,369)	(11,572)
		12,854	**13,428**	**35,102**	**36,518**
Operating expenses		6,029	5,868	17,156	16,468
Transportation and marketing expenses		535	605	1,601	1,638
Administrative expenses		2,324	2,880	8,464	7,684
Impairment	15	-	61,281	-	61,281
Depreciation, depletion and amortization		5,662	8,173	16,690	20,376
Operating loss		**(1,696)**	**(65,379)**	**(8,809)**	**(70,929)**
Share-based compensation expense (recovery)	8	118	(1,225)	89	(357)
Finance expense	10	839	653	2,652	2,109
Risk management loss (gain)	4	(1,387)	(7,582)	5,053	(8,337)
Foreign exchange loss net	9	2	3	5	226
Foreign exchange loss (gain) on intercompany loan	9	(1,320)	(5,441)	4,305	(11,675)
Earnings (loss) before taxes		**52**	**(51,787)**	**(20,913)**	**(52,895)**
Income tax expense (recovery)	11	-	(1)	36	(45)
Earnings (loss)		**52**	**(51,786)**	**(20,949)**	**(52,850)**
Foreign currency translation gain (loss)		(268)	1,332	(453)	5,200
Comprehensive loss		**(216)**	**(50,454)**	**(21,402)**	**(47,650)**
Earnings (loss) per share	12				
Basic and diluted		**0.00**	**(1.48)**	**(0.50)**	**(1.51)**

The notes are an integral part of these condensed consolidated interim financial statements.

Eagle Energy Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Thousands of Canadian dollars) (unaudited)

	Note	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Share Capital	18		
Balance, beginning of period		315,379	317,150
Issuance of share capital due to acquisition		5,539	-
Issuance of share capital		-	67
Share issue costs		(906)	-
Cancellation of shares pursuant to NCIB		-	(1,548)
Balance, end of period		**320,012**	**315,669**
Currency Reserves			
Balance, beginning of period		35,615	29,494
Foreign currency translation gain (loss)		(453)	5,200
Balance, end of period		**35,162**	**34,694**
Contributed Surplus			
Balance, beginning of period		-	-
Share-based payments	8	262	-
Balance, end of period		**262**	-
Deficit			
Balance, beginning of period		(244,435)	(157,739)
Loss		(20,949)	(52,850)
Cancellation of shares pursuant to NCIB		-	1,152
Dividends		(3,184)	(9,426)
Balance, end of period		**(268,568)**	**(218,863)**

The notes are an integral part of these condensed consolidated interim financial statements.

Eagle Energy Inc.

Condensed Consolidated Interim Cash Flow Statements

(Thousands of Canadian dollars) (unaudited)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Cash flows from operating activities				
Earnings (loss)	52	(51,786)	(20,949)	(52,850)
Adjustments for non-cash items:				
Impairment	-	61,281	-	61,281
Depreciation, depletion and amortization	5,662	8,173	16,690	20,376
Share-based compensation – non-cash portion	108	(1,282)	36	(528)
Unrealized risk management loss (gain)	(127)	(3,808)	10,773	8,359
Foreign exchange loss (gain) on intercompany loan	(1,320)	(5,441)	4,305	(11,675)
Finance expense	207	194	717	627
Administrative expenses - non-cash portion	-	-	325	-
Funds flow from operations	4,582	7,331	11,897	25,590
Changes in working capital:				
Trade and other receivables	(355)	1,958	(2,260)	(390)
Prepaid expenses	(124)	(1,149)	1,178	(838)
Trade and other payables	(865)	1,361	(2,332)	(2,908)
Working capital acquired	-	-	143	-
	(1,344)	2,170	(3,271)	(4,136)
Net cash generated by operating activities	**3,238**	**9,501**	**8,626**	**21,454**
Cash flows from investing activities				
Exploration and evaluation	-	-	(5)	-
Oil and gas properties	(764)	(1,643)	(4,593)	(11,087)
Property, plant and equipment	(5)	(56)	(5)	(60)
Acquisition of oil and gas assets	-	(4,531)	-	(4,531)
Change in non-cash working capital	(158)	(114)	(1,421)	(60)
Net cash used in investing activities	**(927)**	**(6,344)**	**(6,024)**	**(15,738)**
Cash flows from financing activities				
Debt	(2,023)	28,212	(730)	21,012
Debt – acquisition of oil and gas assets	-	(22,806)	-	(22,806)
Proceeds from issuance of shares	-	-	-	67
Purchase of shares for cancellation	-	(143)	-	(393)
Share issue costs	-	(5)	(906)	(5)
Cash dividends to shareholders	(636)	(3,143)	(3,184)	(9,426)
Deferred financing charges	(21)	(49)	(203)	(414)
Change in non-cash working capital	-	-	(310)	-
Net cash provided by (used in) financing activities	**(2,680)**	**2,066**	**(5,333)**	**(11,965)**
Net increase (decrease) in cash and cash equivalents	**(369)**	**5,223**	**(2,731)**	**(6,249)**
Effects of exchange rates on cash and cash equivalents	12	(816)	(358)	(297)
Cash at beginning of the period	357	174	3,089	11,127
Cash at end of the period	**-**	**4,581**	**-**	**4,581**

The notes are an integral part of these condensed consolidated interim financial statements.

Eagle Energy Inc.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For the three months and nine months ended September 30, 2016 and September 30, 2015

(in Canadian dollars)

1. Reporting Entity / Structure of Eagle Energy Inc.

On January 27, 2016, Eagle Energy Trust (the "**Trust**") closed a plan of arrangement (the "**Arrangement**") involving the acquisition, by way of share exchange, of Maple Leaf Royalties Corp. ("**Maple Leaf**") and conversion of the Trust into a corporate structure. The resulting public entity, named Eagle Energy Inc. ("**Eagle**"), is listed on the Toronto Stock Exchange with its common shares trading under the symbol "EGL". Pursuant to the Arrangement, the Trust's units were exchanged indirectly for Eagle common shares on a one-for-one basis, which resulted in 34,863,364 common shares of Eagle being issued. In addition, Eagle acquired all of the issued and outstanding common shares of Maple Leaf on the basis of 0.0947 of a common share of Eagle being issued for each outstanding common share of Maple Leaf, which resulted in 7,141,815 common shares of Eagle being issued. Refer to note 6 "Business Combination". After the Arrangement, former unitholders of the Trust held approximately 82% of the 42,451,623 outstanding common shares of Eagle. Concurrently, with the approval of the Arrangement, the unitholders of the Trust and the shareholders of Maple Leaf approved the adoption by Eagle of a new long-term equity compensation incentive plan for Eagle's directors, officers, employees and consultants. Refer to note 8 "Share-based Payments". Holders of options to purchase Trust units had their option agreements adjusted to entitle them to purchase shares of Eagle on identical terms and conditions. All outstanding options to purchase shares of Maple Leaf were terminated.

Throughout these notes to the condensed consolidated interim financial statements, Eagle and its subsidiaries are referred to collectively as the "Company" or "Eagle" for purposes of convenience.

Liquidity

Refer to note 16 "Debt". At September 30, 2016, the Company had a $61.2 million working capital deficit, which excludes the $1.3 million risk management asset and the $2.6 million risk management liability, but includes the $64.9 million drawn on its $CA 70 million credit agreement (the "**Credit Agreement**") with a syndicate of Canadian banks. The amount drawn on the Credit Agreement is included in current liabilities because the May 27, 2017 maturity date of the Credit Agreement falls within 12 months of the September 30, 2016 balance sheet date. This Credit Agreement maturity date represents the date (the "commitment termination date") through which the syndicate of Canadian bank lenders are obligated under the terms and conditions set forth in the Credit Agreement to make advances to Eagle up to the authorized borrowing base amount in effect from time to time. The Credit Agreement continues to be subject to semi-annual (November and May) redeterminations of the borrowing base by the lenders. In the event that, prior to May 27, 2017: (i) Eagle and its syndicate of Canadian bank lenders have not amended the Credit Agreement to reflect a later maturity date, or; (ii) Eagle does not repay amounts outstanding under the existing Credit Agreement by refinancing with a new credit agreement (which may or may not include some of the existing syndicate of Canadian bank lenders), the Credit Agreement instructs that Eagle shall repay all outstanding principal and accrued interest amounts on May 27, 2017. Since Eagle currently estimates the present value of its proved developed producing reserves (the reserves category primarily used by lenders when determining borrowing base levels) effective August 1, 2016, discounted at 10% and using early-September 2016 forward pricing assumptions to be in excess of its current $CA 70 million authorized borrowing base by approximately 70%, Eagle anticipates that it is likely that either a refinancing or an amendment to extend the maturity date will occur prior to May 27, 2017. Eagle actively manages its liquidity through cash, debt and equity management strategies. Such strategies include continuously monitoring forecast and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to refinance existing first-lien debt, issue subordinated debt or issue additional common shares. Cash flow forecasts show sufficient cash flows from operating activities to fund operations and service the amounts currently drawn, or expected to be drawn, on the Credit Agreement. In addition, Eagle has concluded, through discussions with various lenders, it is likely that a refinancing could occur prior to the May 27, 2017 maturity date of the Credit Agreement since Eagle's current estimate of the present value of its proved developed producing reserves (the reserves category primarily used by lenders when determining borrowing base levels) effective August 1, 2016 discounted at 10% and using early-September 2016 forward pricing assumptions exceeds Eagle's $CA 70 million borrowing base by approximately 70%. However, there is no assurance that such refinancing will be successful.

On November 3, 2016, Eagle finalized its semi-annual borrowing base redetermination with the borrowing base level unchanged at $CA 70 million and all other terms and conditions remaining unchanged.

The next semi-annual borrowing base redetermination is scheduled to be finalized no later than May 27, 2017 and will be conducted based on the independent engineering report of Eagle effective December 31, 2016 and the lenders' price forecasts then in effect. Current and forward crude oil prices have recovered from their lows in early February 2016 (which also corresponded to the time when lenders performed year end borrowing base reviews) and Eagle anticipates that a rebound in oil price levels will be incorporated into lenders' borrowing base redeterminations affording Eagle increased liquidity and flexibility.

Eagle may pay dividends to shareholders from a portion of its available cash as well as use available cash to reinvest to fund growth through capital expenditures and acquisitions. Cash flow is provided from properties owned directly by Eagle and indirectly by its wholly-owned subsidiary, Eagle Hydrocarbons Inc. On May 31, 2016, and unchanged in its most recent borrowing base review which was finalized November 3, 2016, a new covenant was added to Eagle's Credit Agreement that restricts Eagle from paying dividends in an amount that exceeds $0.005 (half a cent) per share per month, beginning with the dividend declared in July 2016 (which was paid in August 2016) and ending with any dividend that may be declared in June 2017 (which would be payable in July 2017). In addition, the Credit Agreement contains a covenant that restricts Eagle from paying dividends to its shareholders if any default, event of default or borrowing base deficiency has occurred and is continuing or would result from such dividend, or if the cash dividend payments made for the trailing four quarters exceeds the Available Distributable Cash Flow (as defined in the Credit Agreement). At September 30, 2016, there were no covenant violations under or in connection with the Credit Agreement. In addition, it is likely that either a refinancing or an amendment to extend the maturity date will occur prior to the May 27, 2017 maturity date of the Credit Agreement. There can be no assurance, however, that such refinancing or extension will be successful, and dividends would be curtailed in those circumstances.

The address of Eagle is: Suite 2710, 500-4th Avenue SW, Calgary, AB T2P 2V6.

2.1. Basis of Preparation

The foreign exchange rate at September 30, 2016 was $US 1.00 equal to $CA 1.31 (December 31, 2015 - $US 1.00 equal to $CA 1.38), and the average foreign exchange rate for the nine months ended September 30, 2016 was $US 1.00 equal to $CA 1.32 (for the nine months ended September 30, 2015 - $US 1.00 equal to $CA 1.26).

Basis of Accounting

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors made on November 3, 2016.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and have been prepared following the same accounting policies as the annual audited IFRS consolidated financial statements for the year ended December 31, 2015, except for income tax expense for an interim period (which is based on an estimated average annual effective income tax rate) and accounting policies adopted as a result of the conversion of the Trust into a corporate structure (refer to note 2.2 "Changes in Accounting Policy and Disclosures"). The condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. When reading prior financial statements, references to "unit" or "units" should now be read to refer to "share" or "shares" as a result of the conversion of the Trust into a corporate structure on January 27, 2016.

2.2. Changes in Accounting Policy and Disclosures

Other than the accounting policies below, which have been adopted as a result of the conversion of the Trust into a corporate structure, the accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year.

Share-based Compensation

The Company's share-based compensation program consists of: (i) a new long-term equity compensation incentive plan which was implemented following the closing of the Arrangement; and (ii) cash settled restricted unit rights agreements which were previously in place (and have been adjusted to entitle holders to identical terms and conditions).

(*i) New long-term equity compensation incentive plan:* Under this equity-settled plan, the Company has issued time-based restricted share units ("**RSUs**") and performance-based performance share units ("**PSUs**") to directors officers and employees of the Company. The PSUs have been granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of the Company relative to

pre-defined corporate performance measures for a particular period at the Board of Director's discretion. The RSUs and PSUs are accounted for using the fair-value method. With respect to the RSUs, the fair value of the RSUs is estimated at the date of grant using the trading price of the underlying shares of Eagle on the relevant valuation date. With respect to the PSUs, since the performance conditions attached to the PSUs are not specifically measurable, the PSUs that have been issued are not considered granted in accordance with the definition of grant in IFRS 2. As a result, the fair value of the PSUs are determined at each reporting period and at the date of settlement based on either the closing trading price for the shares of Eagle on the TSX multiplied by an estimated payout multiplier for the number of PSUs expected to vest (in the case of valuation at each reporting period, and with the Black-Scholes option pricing model yielding a similar fair value) or based on the actual Fair Market Value (defined as the volume weighted average trading price for the shares of Eagle on the TSX for the five days on which the shares traded preceding the date of reference) and actual payout multiplier applied to the number of PSUs vested. As a result of revaluing the PSUs each reporting period, fluctuations in compensation expense may occur due to the re-measurement of the value of the shares as well as changes in estimating the outcome of the performance conditions (i.e. the performance multiplier). The fair value thus established is recognized as compensation expense on a graded basis over the settlement period of the RSUs or PSUs with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of RSUs or PSUs settled. All RSUs and PSUs are equity settled.

(ii) Existing restricted unit rights agreements: Under these cash settled agreements, the Trust had issued restricted unit rights ("**RURs**") to directors, officers and employees of the Company. The RURs are accounted for using the fair-value method which estimates their value using the Black-Scholes model. The RURs are a cash settled compensation arrangement and, consistent with their treatment prior to the conversion of the Trust into a corporate structure, the associated liability is fair-valued at the end of each reporting period and the corresponding change to fair value is recognized in the income statement. When a cash payment is made, the liability is reduced with a resulting reduction in cash provided by operating activities. The Company does not intend to issue further RURs under this plan.

The Company had a share option plan previously in place that was adjusted to entitle holders of options to purchase shares of Eagle on identical terms and conditions following the closing of the Arrangement. Under this plan, formerly referred to as a unit option plan, the Trust, as the predecessor reporting issuer to Eagle, had issued options to directors, officers and employees of the Company. These options were accounted for using the fair-value method which estimated the value of the options using the Black-Scholes option pricing model. A forfeiture rate was estimated on the valuation. Consistent with their treatment prior to the conversion of the Trust into a corporate structure, they were treated similarly to a cash settled stock-based compensation arrangement, with the associated liability being fair-valued at the end of each reporting period and the corresponding change to fair value being recognized in the income statement. Effective June 9, 2016, all holders of options outstanding under this plan agreed to a voluntary cancellation of options and the plan was terminated.

Taxation

Prior to the Arrangement (refer to note 1 "Reporting Entity / Structure of Eagle Energy Inc."), business was conducted through a trust structure with the Trust having indirect Canadian and U.S. subsidiaries. The Trust was considered a SIFT Trust as described in the annual audited consolidated financial statements for the year ended December 31, 2015. Pursuant to the Arrangement, Eagle converted into a corporate structure with all Canadian oil and gas assets held in Eagle. Eagle will be taxed in the same manner as other Canadian oil and gas corporations, including being subject to Canadian federal income tax to the extent that taxable income cannot be reduced by claiming permitted deductions (such as wages and other employment expenses, interest payments, various Canadian resource expenditures and certain capital expenditures).

Also pursuant to the Arrangement, Eagle Hydrocarbons Inc., the U.S. operating subsidiary, became an indirect subsidiary of Eagle. There is no change to the taxation of the U.S. indirect subsidiary from how it was described in the annual audited consolidated financial statements for the year December 31, 2015.

As a corporate structure, payments, if any, made by Eagle to shareholders will be in the form of dividends instead of distributions to unitholders of a trust.

Accounting for Acquisitions of Interests in Joint Operations

Amendments to IFRS 11 *Joint Arrangements* clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3 *Business Combinations* in the event of an increase or decrease in ownership share in an existing joint operation or an investment in a new joint operation.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments have been issued to address an inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and those in International Accounting Standard (IAS) 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture. The amendment clarified that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business.

Disclosure Initiative

Amendments have been issued to IAS 1 *Presentation of Financial Statements* to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation which have not had a material impact on the Company's disclosure.

Accounting Pronouncements not yet Adopted

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* It replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is assessing the impact of this standard.

Financial Instruments: Recognition and Measurement

In July 2014, IFRS 9 *Financial Instruments* was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or about January 1, 2018, with earlier application permitted. The Company is assessing the impact of this standard.

Leases

In January 2016, the IASB issued IFRS 16 *Leases* which replaces the existing leasing standard (IAS 17 *Leases*) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same, which provides the choice of classifying a lease as either a finance or operating lease. IFRS 16 is effective January 1, 2019, with earlier application permitted. The adoption of this standard could impact the Company as it enters into leases which would currently be classified as operating leases. The Company is assessing the impact of this standard.

3. Critical Accounting Estimates and Judgments

Other than the critical accounting estimates and judgments below, which have been removed or adopted as a result of the conversion of the Trust into a corporate structure, the critical accounting estimates and judgments followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year. Further information about Eagle's critical accounting estimates and judgments can be found in the notes to Eagle's annual audited consolidated financial statements and MD&A for the year ended December 31, 2015.

Classification of Trust Units as Equity

This no longer applies after January 27, 2016.

Share-based Compensation

The amount of compensation expense accrued for share-based compensation arrangements is subject to Management's best estimate. For both the RSUs and PSUs (refer to note 8 "Share-based Payments"), there is uncertainty as to what the share price will be when the RSUs and PSUs are ultimately settled. Since the performance conditions attached to the PSUs are not specifically measureable, the PSUs that have been issued are not considered granted in accordance with the definition of grant in IFRS 2. As a result, the fair value of the PSUs are determined at each reporting period based on the closing trading price for the shares of Eagle on the TSX multiplied by an estimated payout multiplier for the number of units expected to vest. As a result of revaluing the PSUs each reporting period, fluctuations in compensation expense may occur due to the re-measurement of the

value of the shares as well as changes in estimating the outcome of the performance conditions (i.e. the performance multiplier). The fair value is based on several assumptions and therefore is subject to measurement uncertainty.

4. Financial Risk Management and Financial Instruments

Eagle's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- liquidity risk;
- credit risk; and
- market risk.

For a discussion of liquidity risk, refer to note 1 "Reporting Entity / Structure of Eagle Energy Inc." within the section titled "Liquidity". This note presents information about changes in Eagle's exposure to credit and market risk since the year ended December 31, 2015.

Market Risk

Summary of Unrealized Risk Management Positions

As at September 30, 2016, Eagle has entered into the following financial contracts to mitigate the effects of fluctuating prices on a portion of its production:

	Volume	*Measure*	*Beginning*	*Term*	*Floor $US*	*Ceiling $US*	*Current fair value $CA 000's*	*Non-current fair value $CA 000's*
Oil Fixed Price								
NYMEX (i)	500	bbls/d	Jan-16	Dec-16	65.00	65.00	964	-
NYMEX (i)	500	bbls/d	Jan-16	Dec-16	53.32	53.32	260	-
Gas Fixed Price								
CGPR ALT daily spot (ii)	1,500	GJs/day	Jan-16	Dec-16	$CA 2.83	$CA 2.83	27	-
Commodity - Unrealized risk management asset							**1,251**	**-**
Oil Fixed Price								
NYMEX (i)	400	bbls/d	Aug-16	Dec-16	40.05	40.05	(431)	-
NYMEX (i)	300	bbls/d	Aug-16	Dec-16	40.27	40.27	(316)	-
NYMEX (i)	375	bbls/d	Jan-17	Dec-17	45.10	45.10	(877)	(292)
NYMEX (i)	375	bbls/d	Jan-17	Dec-17	44.75	44.75	(923)	(308)
Differential								
Oil Edmonton SW (iii)	1,000	bbls/d	Dec-15	Dec-16	3.65	3.65	(102)	-
Commodity - Unrealized risk management liability							**(2,649)**	**(600)**
Commodity - Unrealized risk management position - net							**(1,398)**	**(600)**

(i) Represents a fixed price financial swap transaction with a set forward sale price (WTI reference prices).
(ii) Represents a fixed price financial swap transaction with a set forward sale price (Alberta Daily Spot Price Averages).
(iii) Represents a fixed price differential between Edmonton SW Blended oil and WTI.

Summary of Unrealized Risk Management Positions

As at December 31, 2015, Eagle had entered into the following financial contracts to mitigate the effects of fluctuating prices on a portion of its production:

	Volume	Measure	Beginning	Term	Floor $US	Ceiling $US	Current fair value $CA 000's	Non-current fair value $CA 000's
Oil Fixed Price								
NYMEX (i)	500	bbls/d	Jan-16	Dec-16	65.00	65.00	5,940	-
NYMEX (i)	500	bbls/d	Jan-16	Dec-16	53.32	53.32	2,995	-
Gas Fixed Price								
CGPR ALT daily spot (ii)	1,500	GJs/day	Jan-16	Dec-16	$CA 2.83	$CA 2.83	223	-
Differential								
Oil Edmonton SW (iii)	1,000	bbls/d	Dec-15	Dec-16	3.65	3.65	4	-
Unrealized risk management asset							**9,162**	**-**

(i) Represents a fixed price financial swap transaction with a set forward sale price (WTI reference prices).
(ii) Represents a fixed price financial swap transaction with a set forward sale price (Alberta Daily Spot Price Averages).
(iii) Represents a fixed price differential between Edmonton SW Blended oil and WTI.

Earnings Impact of Realized and Unrealized Risk Management Loss (Gain)

	Three Months Ended September 30, 2016			Three Months Ended September 30, 2015		
$000's	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)
Net effect - risk management	**(1,260)**	**(127)**	**(1,387)**	(3,774)	(3,808)	(7,582)

	Nine Months Ended September 30, 2016			Nine Months Ended September 30, 2015		
$000's	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)
Net effect - risk management	**(5,720)**	**10,773**	**5,053**	(16,696)	8,359	(8,337)

Determination of Fair Values

The net fair value of Eagle's unrealized risk management positions at September 30, 2016 is a liability of $2.0 million (December 31, 2015 - $9.2 million asset). The carrying value of Eagle's risk management position has been calculated using both quoted prices in active markets and observable market-corroborated data consistent with a Level 2 valuation.

The fair values of cash, trade and other receivables, trade and other payables and dividends payable approximate their carrying amount due to the short-term maturity of those instruments.

Debt is a financial liability with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest rate method. The carrying value of Eagle's debt is equal to the fair value and the determination of the fair value of the debt is consistent with a Level 2 valuation.

5. Subsidiaries and Consolidated Entities

The following table summarizes the structure of Eagle as at September 30, 2016. All subsidiaries of Eagle are directly or indirectly wholly-owned by Eagle.

Subsidiary	Country of Formation	Nature of Business
Eagle Energy Holdings Inc.	Canada	Alberta Corporation
Eagle Hydrocarbons Inc.	United States	Delaware Corporation
Eagle Energy Trust	Canada	Alberta Trust

The results of the above subsidiaries have been included in the consolidated financial statements of Eagle Energy Inc. in accordance with IFRS 10 - *Consolidation*. All of the entities have December 31 year ends.

6. Business Combination

Pursuant to the Arrangement (refer to note 1 “Reporting Entity / Structure of Eagle Energy Inc.”), Eagle acquired all of the issued and outstanding common shares of Maple Leaf on the basis of 0.0947 of a common share of Eagle being issued for each outstanding common share of Maple Leaf, which resulted in 7,141,815 common shares of Eagle being issued. In addition, Eagle issued 446,444 common shares (valued at $325,904 based on the January 27, 2016 closing price of $0.73 per share) to terminate the Maple Leaf management agreement. This amount was recorded in administrative expenses. Based on the January 27, 2016 closing price of $0.73 per share, the total value of the common shares issued to acquire Maple Leaf was $5,214,000. At the time of closing, Maple Leaf had no debt and a working capital surplus.

From the period January 27, 2016 through to September 30, 2016, the Maple Leaf assets acquired have contributed revenues of $1.6 million and operating income of $1.1 million. Had the acquisition closed on January 1, 2016, estimated contributed revenues would have been $1.7 million and estimated contributed operating income would have been $1.2 million to September 30, 2016.

Net assets acquired ($000’s)	
Oil and gas assets	5,144
Decommissioning liability	(73)
Working capital	143
Net asset value	5,214
Share capital	5,214
Consideration paid	5,214

7. Segmented Information

Eagle’s reportable segments are determined based on Eagle’s operations and geographic locations as follows:

- Canadian operations - includes oil and gas exploration, development and the sale of hydrocarbons and related activities in Canada.
- United States operations - includes oil and gas exploration, development and the sale of hydrocarbons and related activities in the continental United States.
- Corporate - Eagle has a corporate head office in Calgary, Alberta and a corporate office in Houston, Texas. Costs incurred in the corporate segment relate to hedging and other expenses incurred in overall financing and management of Eagle.

Details of Eagle's reportable segments for the three months ended September 30, 2016 are as follows:

	Three Months Ended September 30, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures	**523**	**246**	**-**	**769**
Working interest sales and royalty income	6,645	10,388	-	17,033
Royalties	(1,085)	(3,094)	-	(4,179)
Revenue net of royalties	5,560	7,294	-	12,854
Operating expenses	3,161	2,868	-	6,029
Transportation and marketing expenses	521	14	-	535
Field Netback	1,878	4,412	-	6,290
Administrative expenses - cash portion	-	-	2,324	2,324
Cash settled award payments	-	-	10	10
Risk management gain - realized	-	-	(1,260)	(1,260)
Finance expense - cash portion	-	-	632	632
Income tax recovery	-	-	-	-
Realized foreign exchange loss	-	-	2	2
Funds flow from operations	**1,878**	**4,412**	**(1,708)**	**4,582**

Reconciliation of funds flow from operations to earnings (loss) for each reportable segment is as follows:

	Three Months Ended September 30, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Funds flow from operations	**1,878**	**4,412**	**(1,708)**	**4,582**
Administrative expense - non-cash portion	-	-	-	-
Share-based compensation - non-cash portion	-	-	108	108
Risk management gain - unrealized	-	-	(127)	(127)
Depreciation, depletion and amortization	1,674	3,988	-	5,662
Foreign exchange gain on intercompany loan	-	-	(1,320)	(1,320)
Finance expense - non-cash portion	-	-	207	207
Earnings (loss)	**204**	**424**	**(576)**	**52**

Details of Eagle's reportable segments for the nine months ended September 30, 2016 are as follows:

	Nine Months Ended September 30, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures	**625**	**3,978**	**-**	**4,603**
Working interest sales and royalty income	17,665	27,806	-	45,471
Royalties	(2,391)	(7,978)	-	(10,369)
Revenue net of royalties	15,274	19,828	-	35,102
Operating expenses	8,244	8,912		17,156
Transportation and marketing expenses	1,553	48		1,601
Field Netback	5,477	10,868	-	16,345
Administrative expenses - cash portion	-	-	8,139	8,139
Cash settled award payments	-	-	53	53
Risk management gain - realized	-	-	(5,720)	(5,720)
Finance expense - cash portion	-	-	1,935	1,935
Income tax recovery	-	-	36	36
Realized foreign exchange loss	-	-	5	5
Funds flow from operations	**5,477**	**10,868**	**(4,448)**	**11,897**

Reconciliation of funds flow from operations to earnings (loss) for each reportable segment is as follows:

	Nine Months Ended September 30, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Funds flow from operations	**5,477**	**10,868**	**(4,448)**	**11,897**
Administrative expense - non-cash portion	-	-	325	325
Share-based compensation - non-cash portion	-	-	36	36
Risk management loss - unrealized	-	-	10,773	10,773
Depreciation, depletion and amortization	4,894	11,796	-	16,690
Foreign exchange loss on intercompany loan	-	-	4,305	4,305
Finance expense - non-cash portion	-	-	717	717
Earnings (loss)	**583**	**(928)**	**(20,604)**	**(20,949)**

Total assets of Eagle's reportable segments at September 30, 2016 were as follows:

	At September 30, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Total Assets	**109,591**	**80,103**	**1,251**	**190,945**

Total assets of Eagle's reportable segments at December 31, 2015 were as follows:

	At December 31, 2015			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Total Assets	**110,657**	**88,753**	**9,162**	**208,572**

Details of Eagle's reportable segments at September 30, 2015 are as follows:

	Three Months Ended September 30, 2015			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures	**150**	**1,554**	**(5)**	**1,699**
Working interest sales and royalty income	5,866	12,022	-	17,888
Royalties	(1,040)	(3,420)	-	(4,460)
Revenue net of royalties	4,826	8,602	-	13,428
Operating expenses	2,388	3,480	-	5,868
Transportation and marketing expenses	579	26	-	605
Field Netback	1,859	5,096	-	6,955
Administrative expenses	1,114	1,618	148	2,880
Cash settled award payments	-	-	57	57
Risk management gain - realized	-	-	(3,774)	(3,774)
Finance expense - cash portion	-	-	459	459
Income tax recovery	-	-	(1)	(1)
Realized foreign exchange loss	-	-	3	3
Funds flow from operations	**745**	**3,478**	**3,108**	**7,331**

Reconciliation of funds flow from operations to earnings (loss) for each reportable segment is as follows:

	Three Months Ended September 30, 2015			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Funds flow from operations	**745**	**3,478**	**3,108**	**7,331**
Share-based compensation - non-cash portion	-	-	(1,282)	(1,282)
Risk management gain - unrealized	-	-	(3,808)	(3,808)
Depreciation, depletion and amortization	1,590	6,583	-	8,173
Impairment	24,741	36,540	-	61,281
Foreign exchange gain on intercompany loan	-	-	(5,441)	(5,441)
Finance expense - non-cash portion	-	-	194	194
Earnings (loss)	**(25,586)**	**(39,645)**	**13,445**	**(51,786)**

	Nine Months Ended September 30, 2015			
$000's	Canada	United States	Corporate	Total
Capital expenditures	17	11,130	-	11,147
Working interest sales and royalty income	15,097	32,993	-	48,090
Royalties	(2,163)	(9,409)	-	(11,572)
Revenue net of royalties	12,934	23,584	-	36,518
Operating expenses	6,392	10,076	-	16,468
Transportation and marketing expenses	1,550	88	-	1,638
Field Netback	4,992	13,420	-	18,412
Administrative expenses	-	-	7,684	7,684
Cash settled award payments	-	-	171	171
Risk management gain - realized	-	-	(16,696)	(16,696)
Finance expense - cash portion	-	-	1,482	1,482
Income tax recovery	-	-	(45)	(45)
Realized foreign exchange loss	-	-	226	226
Funds flow from operations	**4,992**	**13,420**	**7,178**	**25,590**

Reconciliation of funds flow from operations to earnings (loss) for each reportable segment is as follows:

	Nine Months Ended September 30, 2015			
$000's	Canada	United States	Corporate	Total
Funds flow from operations	**4,992**	**13,420**	**7,178**	**25,590**
Share-based compensation - non-cash portion	-	-	(528)	(528)
Risk management loss - unrealized	-	-	8,359	8,359
Depreciation, depletion and amortization	4,045	16,331	-	20,376
Impairment	24,741	36,540	-	61,281
Foreign exchange gain on intercompany loan	-	-	(11,675)	(11,675)
Finance expense - non-cash portion	-	-	627	627
Earnings (loss)	**(23,794)**	**(39,451)**	**10,395**	**(52,850)**

8. Share-based Payments

Following the Arrangement, the Company implemented a new long-term equity compensation incentive plan (the "**2016 Equity Incentive Plan**"). Under the 2016 Equity Incentive Plan, RSUs and PSUs have been awarded. Following the Arrangement, a share option plan that was previously in place (the "**2010 Option Plan**") was adjusted to entitle holders of options to purchase shares of Eagle on identical terms and conditions and cash settled RUR agreements that were previously in place were adjusted to reference shares, but otherwise entitle holders to identical terms and conditions.

Effective February 23, 2016, all holders of cash settled Unit Rights ("**URs**") that were previously granted to United States-based officers, employees and certain consultants of Eagle Hydrocarbons Inc. agreed to a voluntary cancellation of the URs. The UR Plan was then terminated on March 31, 2016.

Effective June 9, 2016, all holders of options outstanding under the 2010 Option Plan agreed to a voluntary cancellation of options and the 2010 Option Plan was terminated.

The following table reconciles share-based compensation expense (recovery):

$000's	Note	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
RSUs and PSUs	8(a)	108	-	262	-
Share Options	8(b)	-	(1,077)	(183)	(245)
RURs	8(c)	10	21	48	141
URs	8(d)	-	(169)	(38)	(253)
Total share-based compensation expense (recovery)		**118**	(1,225)	**89**	(357)

The following table reconciles the share-based payments liability:

$000's	Note	**September 30, 2016**	December 31, 2015
Share Options	8(a)	-	183
RURs	8(b)	-	6
URs	8(c)	-	38
Total share-based payments liability		**-**	227

The following table shows the continuity of contributed surplus:

	September 30, 2016	December 31, 2015
Balance, beginning of period	-	-
Share-based compensation	262	-
RSU / PSU settlement	-	-
Balance, end of period	**262**	-

Note 8(a)

2016 Equity Incentive Plan

Following the Arrangement, Eagle implemented a new long-term equity compensation incentive plan, the 2016 Equity Incentive Plan, dated effective January 27, 2016. It was approved by the shareholders at Eagle's special shareholders' meeting held on January 25, 2016.

The aggregate number of shares that may be reserved for granting awards at any time under the 2016 Equity Incentive Plan must not exceed 10% of the total issued and outstanding shares.

Awards in the form of RSUs, Options, Share Appreciation Rights and Deferred Share Units may be granted to the employees, officers, consultants and directors of Eagle and its affiliates (except that Deferred Share Units cannot be granted to consultants). The Board may fix vesting criteria based on time and/or on performance criteria that relate to the performance of Eagle (in the latter case, those awards are referred to as PSUs). PSUs have been granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of Eagle relative to pre-defined corporate performance measures set by the Board of Directors for the associated period. Due to the PSU performance conditions not being specifically measureable, the PSUs that are issued are not considered granted in accordance with the definition of grant in IFRS 2. RSUs and PSUs represent a right to receive, on the vesting date, one share or a payment of cash equal to the Fair Market Value of one share (or a combination thereof). The Fair Market Value of the vested RSUs and PSUs will be determined as of the vesting date and will be settled in shares or cash (or a combination thereof) after deduction of any applicable withholding taxes. "Fair Market Value" is determined using the volume weighted average trading price for the shares of Eagle on the TSX for the five days on which the shares traded preceding the date of reference. Participants receive dividend-equivalent rights on their RSUs and PSUs. If an award can be settled in shares, the Board may elect to settle the award using either authorized and unissued shares or outstanding shares acquired on the open market through the facilities of an independent broker (or a combination thereof). It is the intention of the Board to settle these awards with equity; thus these awards are treated as equity-settled awards.

As of September 30, 2016, there were 1,799,406 RSUs and 706,562 PSUs outstanding as described below.

Vesting is determined by the Board with vesting provisions of the RSUs and PSUs generally as follows:

(i) As to one-third of the total RSUs and one-third of the total PSUs granted on the first anniversary date of the grant;

(ii) As to one-third of the total RSUs and one-third of the total PSUs granted on the second anniversary date of the grant; and

(iii) As to the remaining one-third of the total RSUs and one-third of the total PSUs granted on the third anniversary date of the grant.

With respect to the RSUs, the fair value of the RSUs is determined at the date of grant and is the volume weighted average trading price for the shares of Eagle on the TSX for the five days that the shares traded preceding the grant date (with the Black-Scholes option pricing model yielding a similar fair value). The resulting compensation expense is amortized over the three year vesting period (with the offsetting entry to contributed surplus) using graded vesting and an estimated forfeiture rate of 5%. Upon settlement, amounts are transferred from contributed surplus to share capital. The estimated weighted average fair value for RSUs at the measurement date (the grant date) is $0.67 per RSU granted for the nine months ended September 30, 2016.

The following schedule shows the continuity of equity settled RSUs issued:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015	Nine Months Ended September 30, 2015
Balance, beginning of period	-	-	-
Issued	1,834,750	-	-
Dividend equivalent rights	62,501	-	-
Forfeited	(97,845)	-	-
Balance, end of period	1,799,406	-	-
Number of RSUs vested	-	-	-

With respect to the PSUs, since the performance conditions attached to the PSUs are not specifically measureable, the PSUs that have been issued are not considered granted in accordance with the definition of grant in IFRS 2. As a result, the fair value of the PSUs are determined at each reporting period and at the date of settlement based on either the closing trading price for the shares of Eagle on the TSX multipled by an estimated payout multiplier of one for the number of units expected to vest (in the case of valuation at each reporting period, and with the Black-Scholes option pricing model yielding a similar fair value) or based on the actual Fair Market Value and actual payout multiplier applied to the number of units vested. As a result of revaluing the PSUs each reporting period, fluctuations in compensation expense may occur due to the re-measurement of the value of the shares as well as changes in estimating the outcome of the performance conditions (i.e. the performance multiplier). The resulting compensation expense at each reporting period is amortized over the remaining portion of the three year vesting period (with the offsetting entry to contributed surplus) using graded vesting and an estimated forfeiture rate of 5%. Upon settlement, amounts are transferred from contributed surplus to share capital. The estimated weighted average fair value for PSUs at the measurement date (September 30, 2016) is $0.70 per PSU granted for the nine months ended September 30, 2016.

The following schedule shows the continuity of equity settled PSUs issued:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015	Nine Months Ended September 30, 2015
Balance, beginning of period	-	-	-
Issued	733,250	-	-
Dividend equivalent rights	26,326	-	-
Forfeited	(53,014)	-	-
Balance, end of period	706,562	-	-
Number of PSUs vested	-	-	-

Note 8(b)

2010 Option Plan

Pursuant to the Arrangement, the unit option plan of the Trust that was adopted in 2010 became a stock option plan of Eagle Energy Inc., with such amendments thereto as was necessary to reflect the status of Eagle Energy Inc. as an Alberta corporation. In addition, each option previously granted under this plan was adjusted, without constituting a novation or disposition of such option, to provide that each such option entitled, without any further action on the part of an optionholder, the optionholder to purchase an equivalent number of shares in lieu of units. Effective June 9, 2016, all holders of options outstanding under the 2010 Option Plan agreed to a voluntary cancellation of their options and the 2010 Option Plan was terminated.

The number and weighted average exercise prices of options are as follows:

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015		Nine Months Ended September 30, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	3,159,418	5.54	3,431,750	5.94	3,431,750	5.94
Forfeited	(3,159,418)	5.48	(272,332)	6.28	(202,000)	6.45
Exercised	-	-	-	-	-	-
Granted	-	-	-	-	-	-
Outstanding at end of period	**-**	**-**	3,159,418	5.54	3,229,750	5.64
Exercisable at end of period	**-**	**-**	2,601,427	5.62	2,520,760	5.67

The fair value of the options was estimated at nil at March 31, 2016 using the Black-Scholes valuation model and the same inputs as December 31, 2015 (other than using the March 31, 2016 closing share price). Therefore, no further balance sheet entry was required during the third quarter of 2016 to reflect the voluntary cancellation. The fair value of the options for the comparative periods of December 31, 2015 and September 30, 2015 was $0.07 and $0.66 per option, respectively.

Note 8(c)

Cash settled RURs

Following the Arrangement, an amendment was made to the RURs agreement which entitled the holders of the RURs to identical rights, terms and conditions, including entitling the holder to receive cash payments equal to the dividends payable on one share as well as capital appreciation of shares.

For the nine months ended September 30, 2016, $53,006 has been paid to the RUR holders (year ended December 31, 2015 - $227,685, nine months ended September 30, 2015 – $170,760).

The following schedule shows the continuity of cash settled RURs issued:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015	Nine Months Ended September 30, 2015
Balance, beginning of period	632,500	632,500	632,500
Issued	-	-	-
Forfeited	-	-	-
Balance, end of period	632,500	632,500	632,500
Number of RURs vested	632,500	632,500	632,500

The September 30, 2016 fair value of the RURs was estimated using the Black-Scholes valuation model and using the same inputs as December 31, 2015 (other than a 5-day volume weighted average share price assumption of $0.70 per share as compared to $1.13 per share at December 31, 2015). Based on these assumptions, the fair value at the September 30, 2016 balance sheet was nil per RUR (December 31, 2015 - $0.01 per RUR, September 30, 2015 - $0.05 per RUR).

Note 8(d)

UR Plan

In 2011, the Trust adopted a cash-settled unit rights incentive plan for the U.S.-based directors, officers, employees and eligible consultants of the Trust's U.S. operating subsidiary. Each UR entitled the holder to receive cash payments equal to the distributions paid on one unit as well as capital appreciation (increases in the fair market value) of the units less a capital deficiency (decreases in the fair market value) of the units. Distributions did not give rise to a payout amount as long as there was a capital deficiency. The URs were terminated on February 23, 2016 and the UR Plan was terminated on March 31, 2016. For the nine months ended September 30, 2016, $nil has been paid to the UR holders (year ended December 31, 2015 - $nil, nine months ended September 30, 2015 - $nil).

The following schedule shows the continuity of cash settled URs:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015	Nine Months Ended September 30, 2015
Balance, beginning of period	653,500	937,000	937,000
Issued	-	-	-
Forfeited	(653,500)	(283,500)	(283,500)
Balance, end of period	**-**	653,500	653,500
Number of URs vested	**-**	524,505	458,171

Since the URs were terminated following the Arrangement, the September 30, 2016 fair value of the URs was nil per UR (December 31, 2015 - $0.06 per UR, September 30, 2015 - $0.16 per UR).

9. Foreign Exchange

Eagle has recognized the following in the earnings or loss on account of foreign currency fluctuations:

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Net loss arising on settlement of foreign currency transactions arising out of operating activities	2	3	5	226
Foreign exchange loss (gain) on intercompany loan	(1,320)	(5,441)	4,305	(11,675)
Foreign exchange loss (gain) net	**(1,318)**	(5,438)	**4,310**	(11,449)

Eagle has recognized the following in shareholders' equity due to the translation of its U.S. subsidiary, which has a U.S. dollar functional currency, to the presentation currency of Eagle, being the Canadian dollar, for financial statement presentation:

$000's	**September 30, 2016**	December 31, 2015
Beginning balance	35,615	29,494
Foreign currency translation gain (loss)	(453)	6,121
Ending balance	**35,162**	35,615

10. Finance Expense

$000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Interest expense on debt	620	373	1,777	1,215
Standby and bank fees	12	86	158	267
Accretion of decommissioning provision	107	84	354	213
Amortization of deferred financing costs	100	110	363	414
Finance expense	**839**	653	**2,652**	2,109

11. Taxation

Reconciliation of Effective Tax Rate

The income tax provision differs from the amount that would have been expected if the reported earnings (loss) had been subject only to the statutory Canadian income tax rate of 27% (2015 - 26%) as follows:

$ 000's	**Three Months Ended September 30, 2016**	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Earnings (loss) before taxes	52	(51,784)	(20,913)	(52,893)
Expected tax rate (%)	27	26	27	26
Expected income tax provision	14	(13,464)	(5,646)	(13,752)
Decrease (Increase) resulting from:				
Non-deductible items – permanent differences:				
Administrative expenses of Eagle	-	36	-	182
Share-based compensation	32	(244)	24	(48)
Foreign exchange loss (gain), net	(1,162)	(4,360)	3,966	(7,577)
Foreign tax rate differentials	(100)	(3,094)	(1,285)	(4,003)
Change in statutory rate	-	(260)	-	(288)
Changes in temporary differences for which no amounts are recognized	1,231	22,030	2,867	27,245
Items deductible at the subsidiary level:				
Interest on internal debt of subsidiary	-	(643)	-	(1,813)
Other	(15)	-	110	9
Total income tax expense (recovery)[(i)]	**-**	(1)	**36**	(45)

(i) Current tax expense relates to U.S. franchise tax.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following items:

$000's	**September 30, 2016**	December 31, 2015
Deferred tax assets - capital assets:		
United States	9,032	8,330
Canada	15,082	16,210
	24,114	25,040
Deferred tax assets - non-capital losses:		
United States	45,143	42,447
Canada	17,360	16,298
	62,503	58,745
Deferred tax asset	86,617	83,785
Unrecognized deferred tax asset	(86,617)	(83,785)
Net deferred tax asset	-	-

The U.S. and Canadian tax losses can be utilized for 20 years and start to expire in 2030 and 2035, respectively. Deferred tax assets have not been recognized in respect of these tax losses as there is not sufficient certainty regarding the future utilization of the tax losses.

12. Earnings (Loss) per Share

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Earnings (loss) attributable to shareholders – basic and diluted ($000's)	52	(51,786)	(20,949)	(52,850)
Weighted average number of shares outstanding – basic and diluted (000's)	**42,452**	34,991	**41,704**	34,954
Earnings (loss) per share				
Basic and diluted	**0.00**	(1.48)	**(0.50)**	(1.51)

13. Exploration and Evaluation Assets

$000's	
Balance at December 31, 2014	-
Additions	1,033
Balance at December 31, 2015	1,033
Additions	5
Transferred to oil and gas properties	-
Expense	-
Foreign exchange adjustment	(54)
Ending balance	**984**

14. Oil and Gas Properties

$000's	
Cost:	
Balance at December 31, 2014	373,222
Additions	20,480
Decommissioning obligation additions and change in estimates	6,267
Acquisitions	33,490
Effects of foreign exchange	51,083
Balance at December 31, 2015	484,542
Additions	4,613
Decommissioning obligation additions and change in estimates	3,857
Acquisitions	5,144
Effects of foreign exchange	(17,276)
Balance at September 30, 2016	480,880
Depletion, depreciation and impairment:	
Balance at December 31, 2014	(150,283)
Depletion and depreciation	(27,918)
Impairment loss	(90,476)
Effects of foreign exchange	(29,006)
Balance at December 31, 2015	(297,683)
Depletion and depreciation	(16,431)
Impairment	-
Effects of foreign exchange	12,758
Balance at September 30, 2016	(301,356)
Net book value:	
At December 31, 2015	186,859
At September 30, 2016	179,524

Eagle does not capitalize general and administrative costs. Future development costs related to proved plus probable reserves of $44.6 million (December 31, 2015 - $40.3 million) were included in the depletion calculation.

15. Impairment

At September 30, 2016, Eagle assessed its assets for impairment. In addition to reviewing indicators of impairment, Eagle examined the commodity price forecast with an emphasis on the oil price, as Eagle's asset base is comprised of approximately 90% oil. The September 30, 2016 forecast price for Canadian Light Sweet Oil has increased on average of 7% over the same forecast at December 31, 2015. As well, over the course of the last nine months the carrying value of the assets decreased by 4% due to depletion in excess of minimal capital additions. Given the above analysis, Eagle concluded that there were no significant indicators of impairment.

At September 30, 2015, Eagle's assets were assessed for impairment and based on the analysis, Eagle recorded an impairment provision of $US 20.9 million ($CA 26.3 million) in the Salt Flat CGU, $US 8.2 million ($CA 10.2 million) in the Hardeman CGU and $CA 24.7 million in the Dixonville CGU.

16. Debt

Eagle has a Credit Agreement with a syndicate of Canadian bank lenders that is subject to semi-annual redeterminations of the borrowing base level. It is used for general corporate purposes, including working capital, capital expenditures and future acquisitions. Amounts drawn under the Credit Agreement are available in either U.S. or Canadian dollars and may be used for activities in either the U.S. or Canada.

At September 30, 2016, there were no covenant violations under or in connection with the Credit Agreement.

On May 31, 2016, Eagle finalized its semi-annual borrowing base redetermination which resulted in: (i) amendments being made to its Credit Agreement; (ii) a borrowing base level being set at $CA 70 million; and, (iii) a maturity date of May 27, 2017 remaining unchanged. Security granted under the Credit Agreement remained unchanged and is by way of a first priority security interest on substantially all of the property and assets of Eagle Energy Inc. and Eagle Hydrocarbons Inc. (each a borrower under the Credit Agreement). A summary of the significant amendments made to the Credit Agreement effective May 31, 2016 is set forth below and a redacted version of the entire Credit Agreement can be found under Eagle's issuer profile on SEDAR at www.sedar.com.

Prior to the May 31, 2016 redetermination, the most recent semi-annual borrowing base redetermination had closed October 7, 2015 and resulted in a borrowing base level being set at $US 80 million. In the period between the October 2015 and the May 2016 redeterminations, sustained weakness in global commodity prices resulted in downward pressure on the commodity price forecasts used by lenders when determining borrowing base levels.

On November 3, 2016, Eagle finalized its semi-annual borrowing base redetermination, with the borrowing base level of $CA 70 million and all other terms and conditions remaining unchanged.

The next semi-annual borrowing base redetermination is scheduled to be finalized no later than May 27, 2017 and will be conducted based on the independent engineering report of Eagle effective December 31, 2016 and the lenders' price forecasts then in effect. Current and forward crude oil prices have recovered from their lows in early February 2016 (which also corresponded to the time when lenders performed year end borrowing base reviews) and Eagle anticipates that a rebound in oil price levels will be incorporated into lenders' borrowing base redeterminations affording Eagle increased liquidity and flexibility. In the event, however, that a borrowing base redetermination results in a reduction of the borrowing base below the aggregate amounts outstanding under the Credit Agreement (such that a "borrowing base deficiency" exists) the Credit Agreement instructs that Eagle shall, after receipt of written notice from the lenders regarding such deficiency, take any of the following actions and notify the lenders of its election of the following actions within ten days after receipt of the deficiency notice from the lenders: (1) Repay the borrowing base deficiency within ten days; (2) pledge additional acceptable collateral such that the borrowing base deficiency is cured within 30 days; or (3) deliver an election in writing to the lender to agree to repay the borrowing base deficiency within 30 days. A failure by Eagle to take such actions to remedy any borrowing base deficiency within the time periods specified above would constitute an event of default.

Summary of Significant Amendments to Covenants, Terms and Conditions of Credit Facility

Under the Credit Agreement, the semi-annual review of which was finalized November 3, 2016 with no changes made from May 31, 2016, Eagle is required to satisfy certain customary affirmative and negative covenants, including financial covenants. The following is a summary of the significant amendments made to the Credit Agreement's covenants, terms and conditions made effective May 31, 2016 and remaining in effect as of November 3, 2016.

- The borrowing base remains at $CA 70 million.
- The covenant that restricts Eagle from paying dividends to its shareholders if any default, event of default or borrowing base deficiency has occurred and is continuing or would result from such dividend, or if the cash dividend payments made for the trailing four quarters exceeds the Available Distributable Cash Flow (as defined by the Credit Agreement, and which was $16.7 million at September 30, 2016) for the trailing four quarters, remained unchanged.
- A covenant remains that restricts Eagle from paying dividends in an amount that exceeds $0.005 (half a cent) per share per month, beginning with the dividend declared in July 2016 (which was paid in August 2016) and ending with any dividend that may be declared in June 2017 (which would be payable in July 2017).
- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a maximum debt to four quarter trailing EBITDAX ratio of 3.00 to 1.00, was amended to proactively manage the effect that the precipitous drop in oil prices will have on this trailing covenant calculation. Beginning with the fiscal quarter ending June 30, 2016, and for five quarters through to and including the fiscal quarter ending June 30, 2017, the maximum ratios are amended as follows: for the fiscal quarter ending June 30, 2016 - 4.00 to 1.00; for the fiscal quarter ending September 30, 2016 - 5.00 to 1.00; for each fiscal quarter ending December 31, 2016 through to the fiscal quarter ending June 30, 2017 – 6.00 to 1.00; and for each fiscal quarter ending after June 30, 2017, 3.00 to 1.00. The definition of EBITDAX remains unchanged from that disclosed in Eagle's 2015 annual financial statements. The debt to four quarter trailer EBITDAX ratio at September 30, 2016 was 3.2 to 1.00.
- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a minimum current ratio of not less than 1.00 to 1.00 remained unchanged. The current ratio excludes the current portion of the long term debt. The current ratio at September 30, 2016 was 2.8 to 1.00.
- The maturity date of the Credit Agreement remained unchanged at May 27, 2017. This date represents the date (the "commitment termination date") through which the syndicate of Canadian bank lenders are obligated under the terms and conditions set forth in the Credit Agreement to make advances to Eagle up to

the authorized borrowing base amount in effect from time to time. The Credit Agreement continues to be subject to semi-annual (November and May) redeterminations of the borrowing base by the lenders. In the event that, prior to May 27, 2017, (i) Eagle and its syndicate of Canadian bank lenders have not amended the Credit Agreement to reflect a later maturity date, or (ii) Eagle does not repay amounts outstanding under the existing Credit Agreement by refinancing with a new credit agreement (which may or may not include some of the existing syndicate of Canadian bank lenders), the Credit Agreement instructs that Eagle shall repay all outstanding principal and accrued interest amounts on May 27, 2017. Since Eagle currently estimates the present value of its proved developed producing reserves (the reserves category primarily used by lenders when determining borrowing base levels) effective August 1, 2016 discounted at 10% and using early-September 2016 forward pricing assumptions to be in excess of its current $CA 70 million borrowing base by approximately 70%, it is likely that either a refinancing or an amendment to extend the maturity date will occur prior to May 27, 2017. However, there can be no assurance that such refinancing will be successful.

At September 30, 2016, details of Eagle's credit facility are as follows:

$000's	$CA
Authorized (revolving)	70,000
Less:	
Amounts drawn	(64,889)
Available	5,111

At December 31, 2015, details of Eagle's credit facility are as follows:

$000's	$US	$CA
Authorized (revolving)	80,000	110,720
Less:		
Amounts drawn	47,412	65,618
Available	32,588	45,102

The exchange rate in effect at December 31, 2015 was $US 1.00 equal to $CA 1.38. The amount drawn on the credit facility at December 31, 2015 was denominated in Canadian funds.

17. Decommissioning Liability

$000's	**Nine Months Ended September 30, 2016**	Year Ended December 31, 2015
Beginning balance	26,998	10,347
Acquisition	73	3,187
Additions	28	251
Change in estimate due to acquired properties	180	9,011
Other changes in estimates	3,649	3,274
Accretion (unwinding of discount)	353	399
Effects of exchange rate	(191)	529
Ending balance	31,090	26,998

The decommissioning provision reflects the present value of internal estimates of future decommissioning costs of Eagle's net ownership position in oil and gas wells and related facilities at the relevant balance sheet date determined using local pricing conditions and requirements. The liability would be incurred over the life of the assets, with the majority after the year 2050. The timing of payments related to the decommissioning provision is uncertain and is dependent on various items which are not always within Management's control.

The decommissioning provision was estimated using existing technology, at current prices (adjusted for a 1.9% annual inflation rate), and discounted using a risk-free discount rate at September 30, 2016 of 1.00% for the Salt Flat properties (December 31, 2015 – 1.39%), 1.00% for the Hardeman properties (December 31, 2015 – 2.15%), 1.66 %

for the Dixonville properties (December 31, 2015 – 2.15%), 1.00% for the Twining properties (December 31, 2015 – 1.39%) and 1.66% for the NW Alberta properties that were acquired January 27, 2016 pursuant to the Arrangement.

18. Share Capital

Shares Outstanding

	Nine Months Ended September 30, 2016		Year Ended December 31, 2015	
	Number of shares (000's)	**Amount ($000's)**	Number of shares (000's)	Amount ($000's)
Beginning balance	34,863	315,379	35,017	317,150
Issuance of shares pursuant to the Business Combination (Note 6)	7,588	5,539	-	-
Issuance of shares pursuant to the DRIP	-	-	36	67
Cancellation of shares pursuant to the NCIB	-	-	(190)	(1,833)
Share issuance costs	-	(906)	-	(5)
Ending balance	**42,451**	**320,012**	34,863	315,379

On January 27, 2016, as part of the Arrangement, Eagle issued 7.6 million shares valued at $0.73 per share for a total value of $5.5 million (see note 6 "Business Combination"). Costs associated with issuing shares pursuant to the Arrangement were approximately $906,000.

From January 21, 2015 to January 20, 2016, Eagle had a normal course issuer bid ("**NCIB**") in place. Under the NCIB, Eagle could purchase for cancellation up to 2,852,829 of its units, representing ten percent of its public float as of January 16, 2015. For the 2016 period ended January 20, 2016, no purchases were made under the NCIB. The NCIB was not renewed upon its expiry in January 2016.

For the nine months ended September 30, 2016, Eagle incurred $nil (December 31, 2015 - $37,099) of unit issuance costs in conjunction with the Distribution Reinvestment Plan ("DRIP").

19. Commitments

Operating Lease Commitment – Head Office Lease in Calgary, Alberta

On January 1, 2013, Eagle entered into a lease for office space in Calgary which originally had an approximate 61 month term from January 8, 2013 to February 7, 2018. In May 2016, Eagle entered into an amendment to its lease agreement which extends the lease term to February 28, 2023 and decreases the annual basic rental charge. The new lease is effective August 1, 2016. Total minimum lease payments during the term of the lease approximate $3.1 million and include a leasehold improvement allowance up to $0.2 million, with 77 months and approximately $2.9 million remaining at September 30, 2016.

Operating Lease Commitment - Sublease in Calgary, Alberta

On August 20, 2015, concurrent with the closing of an acquisition, Eagle assumed an office lease obligation. The term of the lease is from March 1, 2011 to February 28, 2017. Total minimum lease payments during the term of the lease approximate $1.4 million, with 5 months and approximately $0.1 million remaining at September 30, 2016.

Operating Lease Commitment – Office Lease in Houston, Texas

Eagle entered into a lease in Houston on April 1, 2011, which originally had an approximate 30 month term from April 7, 2011 through September 30, 2013. On November 21, 2012, the lease was extended for an additional 63 month period from October 1, 2013 to December 31, 2017 and the premise space was expanded to incorporate additional square footage. Total minimum lease payments during the term of the lease include a leasehold improvement allowance of $US 0.1 million and approximate $US 0.9 million, with 15 months and approximately $US 0.37 million remaining at September 30, 2016. In $CA, the remaining future minimum lease payments approximate $0.5 million translated at the exchange rate in effect at the balance sheet date of $US 1 equal to $CA 1.31.

20. Subsequent Event

On November 3, 2016, Eagle finalized its semi-annual borrowing base redetermination, with the borrowing base level of $CA 70 million and all other terms and conditions, including the May 27, 2017 maturity date, remaining unchanged. The next semi-annual borrowing base redetermination is scheduled to be finalized no later than May 27, 2017.

Corporate Information

Board of Directors

David M. Fitzpatrick
Chairman of the Board

Bruce K. Gibson (1)
Director

Warren D. Steckley (2)(3)
Director

Richard W. Clark
Director and Chief Executive Officer

(1) Audit Committee Chair
(2) Reserves & Governance Committee Chair
(3) Compensation Committee Chair

TSX:EGL

Officers

Richard W. Clark
Chief Executive Officer

J. Wayne Wisniewski
President and Chief Operating Officer

Kelly A. Tomyn
Chief Financial Officer

M. Scott Lovett
Executive Vice President, Business Development

Jo-Anne M. Bund
General Counsel and Corporate Secretary

Auditors

PricewaterhouseCoopers LLP

Trustee and Transfer Agent

Computershare Trust Company of Canada

Engineering Consultants

Netherland Sewell & Associates, Inc.
McDaniel & Associates Consultants Ltd.

Bankers

Bank of Nova Scotia
Canadian Imperial Bank of Commerce
National Bank of Canada

Legal Counsel

Bennett Jones LLP

Calgary Office

Eagle Energy Inc.
Suite 2710, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6

Phone: (403) 531-1575
Fax: (403) 508-9840
Email: info@EagleEnergy.com

Houston Office

Eagle Hydrocarbons Inc.
Suite 3005, 333 Clay Street
Houston, Texas 77002

Phone: (713) 300-3245
Fax: (713) 300-3240
Email: info@EagleEnergy.com

www.EagleEnergy.com