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2016 Financial Report

EAGLE ENERGY™

INC.

Management's Discussion and Analysis

March 16, 2017

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations for Eagle Energy Inc. ("**Eagle**"), dated March 16, 2017, should be read in conjunction with Eagle's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 and Eagle's Annual Information Form dated March 16, 2017 ("**AIF**"), which are available online under Eagle's issuer profile at www.sedar.com and on Eagle's website at www.EagleEnergy.com.

Eagle's audited annual consolidated 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 audited annual consolidated 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 December 31, 2016 was $US 1.00 equal to $CA 1.34 (December 31, 2015 - $US 1.00 equal to $CA 1.38), and the average foreign exchange rate for the year ended December 31, 2016 was $US 1.00 equal to $CA 1.32 (for the year ended December 31, 2015 - $US 1.00 equal to $CA 1.28).

Throughout this MD&A, Eagle and its subsidiaries are collectively referred to as "Eagle" for purposes of convenience. In addition, references to the results of operations refer to operations of Eagle's subsidiaries in the U.S. and in Canada.

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".

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 Year Ended December 31, 2016

Eagle closed out 2016 with strong reserve metrics, production exceeding the upper end of its guidance range, monthly operating costs at the lower end of its guidance range and ending net debt levels as expected. Eagle achieved the following results in 2016:

- A total proved reserve replacement ratio of 184% and a total proved plus probable reserve replacement ratio of 272%.
- Total proved plus probable finding, development and acquisition costs (including changes in future development costs) of $7.16 per barrel of oil equivalent ("**boe**").
- An 18% year-over-year increase in the net present value of proved plus probable reserves (discounted at 10%), with minimal capital investment and within a lower forward pricing environment.
- Average production increased by 18% year-over-year to 3,972 barrels of oil equivalent per day ("**boe/d**") (84% oil, 3% natural gas liquids ("**NGLs**") and 13% natural gas).
- A 12% year-over-year reduction in per boe operating costs (inclusive of transportation).
- Funds flow from operations of $15.8 million ($10.87 per boe or $0.38 per share) and ending net debt of $59 million.

On March 13, 2017, Eagle announced an increase to its borrowing capacity by way of a new four year secured term loan and its 2017 capital budget, production and operating cost guidance. In addition, as Eagle embarks on a more growth-oriented strategy, it announced a suspension of its dividend following the payment of its February dividend. The February dividend of $0.005 per common share that was previously declared on February 15, 2017 for shareholders of record on February 28, 2017 will still be paid on March 23, 2017.

Term Loan Financing - $CA 87 million ($US 65 million) - closed March 13, 2017

- Eagle has expanded its borrowing capacity by 24% to approximately $87 million ($US 65 million), which establishes a foundation for Eagle to execute its new growth strategy over the next four years and accelerate the development of its low risk drilling inventory.

- Eagle has replaced its entire $70 million authorized bank credit facility with a new four year secured term loan from White Oak Global Advisors, LLC ("**White Oak**") which provides up to $87 million (the current Canadian dollar equivalent of $US 65 million) of financing. Headquartered in San Francisco, White Oak is an SEC-registered investment adviser with assets under management of approximately $US 3 billion and affords Eagle a partner that has the capacity to provide additional financing to fund future acquisitions.

- At closing, Eagle drew approximately $82 million (the current Canadian dollar equivalent of $US 61.5 million) and can draw the remaining $US 3.5 million prior to the first anniversary of closing.

- Based on Eagle's 2016 ending net debt of $59 million and execution of its approved 2017 budget, Eagle expects 2017 ending net debt to be $71.2 million, thus affording Eagle approximately $13 million in combined working capital and undrawn term loan availability at the end of 2017 (see "2017 Outlook").

- Eagle's expanded credit base, coupled with its 2017 expected funds flow from operations (see "2017 Outlook") has allowed a four-fold increase in the capital budget from 2016. Expected growth in year-over-year fourth quarter average production is 8%, but more impactful will be the exploitation of substantial, internally-identified drilling opportunities in Eagle's Hardeman and Twining fields that the 2017 capital budget is expected to provide.

Highlights of 2017 Budget

- 2017 capital budget of $22.8 million ($US 12.5 million for its operations in the United States and $6.6 million for its operations in Canada). Included in the $US 12.5 million capital budget is $US 3.5 million for land acquisitions on seismically-defined play trends in Eagle's Hardeman area, which will provide a platform for economic production growth in future years.

- 2017 production guidance of 3,800 to 4,000 boe/d (including working interest and royalty interest volumes), resulting in 8% year-over-year fourth quarter production growth. Eagle's proved developed producing corporate decline rate is approximately 18% per annum.
- 2017 field netbacks of $25.78 / boe (based on the assumptions as set out below under the heading "2017 Outlook").
- 2017 monthly operating cost guidance (inclusive of transportation) of $2.1 million to $2.3 million per month, resulting in per boe operating costs of $19.04 (figure based on the mid-range guidance level of $2.2 million per month).
- 2017 funds flow from operations of $16.0 million ($0.38 per share), consistent with 2016 levels and incorporating a 16% forecast decrease year-over-year of general and administrative expenses.
- 2017 ending net debt of $71.2 million, affording Eagle approximately $13 million in combined working capital and undrawn term loan availability at the end of 2017 (based on the assumptions as set out below under the heading "2017 Outlook").

2017 Outlook

This outlook section is intended to provide shareholders with information about Eagle's expectations for capital expenditures, production and operating costs for 2017. 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 2017 guidance for its capital budget, average production and monthly operating costs together with resulting funds flow from operations, ending net debt and field netback (excluding hedges) (based on management's assumptions) are as follows:

	2017 Guidance	Notes
Capital Budget	$22.8 mm	(1)
Average Production	3,800 to 4,000 boe/d	(2)
Operating Expenses per month	$2.1 to $2.3 mm	(3)
Funds Flow from Operations	$16.0 mm	(4)
Ending Net Debt	$71.2 mm	
Field Netback (excluding hedges)	$25.78 / boe	(5)

Notes:

(1) The 2017 capital budget of $22.8 million consists of $US 12.5 million for Eagle's operations in the United States and $6.6 million for Eagle's operations in Canada.

(2) 2017 production is forecast to consist of 84% oil, 3% NGLs and 13% natural gas. These numbers include working interest and royalty interest volumes.

(3) Operating expense guidance is stated on a per month basis rather than per boe basis due to the mostly fixed nature of the costs.

(4) 2017 funds flow from operations is expected to be approximately $16.0 million based on the following assumptions:

(a) average production of 3,900 boe/d (the mid-point of the guidance range);

(b) pricing at $US 55.46 per barrel WTI oil, $US 3.36 per Mcf NYMEX gas, $CA 2.79 per Mcf AECO and $US 19.41 per barrel of NGL (NGL price is calculated as 35% of the WTI price);

(c) differential to WTI is $US 3.18 discount per barrel in Salt Flat, $US 3.50 discount per barrel in Hardeman, $CA 11.50 discount per barrel in Dixonville and $CA 8.00 discount per barrel in Twining;

(d) average operating costs of $2.2 million per month ($US 0.8 million per month for Eagle's operations in the United States and $1.2 million per month for Eagle's operations in Canada), the mid-point of the guidance range; and

(e) a foreign exchange rate of $US 1.00 equal to $CA 1.30.

(5) This figure assumes average operating costs of $2.2 million per month (the mid-point of the guidance range) and a $US 55.46 WTI price. Field netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures".

Tables showing the sensitivity of Eagle's 2017 funds flow from operations to changes in commodity prices, production and foreign exchange rates are set out below under the heading "2017 Sensitivities".

2017 Sensitivities

The following tables show the sensitivity of Eagle's 2017 funds flow from operations to changes in commodity prices, production and foreign exchange ("**FX**") rates:

Funds Flow from Operations	2017 Average Production (3,900 boe/d)		
Sensitivity to Commodity Price	**FX 1.25**	**FX 1.30**	**FX 1.35**
$US 45.00 WTI	$13.7 mm	$14.9 mm	$16.0 mm
$US 55.00 WTI	$14.9 mm	$16.0 mm	$17.2 mm
$US 65.00 WTI	$15.0 mm	$16.1 mm	$17.4 mm

Sensitivity to Production	2017 Average Production (3,900 boe/d) (WTI $US 55.00, FX 1.30)		
	3,800	**3,900**	**4,000**
Funds Flow from Operations ($CA)	$15.1 mm	$16.0 mm	$17.0 mm

Assumptions:

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

(2) Differential to WTI is held constant.

(3) The foreign exchange rate is assumed to be $US 1.00 equal to $CA 1.30, unless otherwise indicated in the table.

2017 Capital Budget Details

Eagle's board of directors have approved a 2017 capital budget of $22.8 million ($US 12.5 million in the United States and $6.6 million in Canada), consisting of the following:

- Salt Flat, Texas
  - 2 (2.0 net) horizontal oil wells
  - Seismic processing, facilities, pump changes
  - Land and abandonments

- Hardeman, Texas and Oklahoma
  - 2 (2.0 net) horizontal oil wells
  - Seismic processing, pump installs
  - Land

- Dixonville, Alberta
  - Pipeline and facilities
  - Geological and geophysical work

- Twining, Alberta
  - 3 (3.0 net) horizontal oil wells
  - Facility capital
  - Abandonment

The capital budget excludes corporate and property acquisitions, which are evaluated separately on their own merit

Updated Dividend Strategy

Concurrent with embarking on a more growth oriented strategy, on March 13, 2017, Eagle announced the suspension of its dividend following the payment of its February dividend. The February dividend of $0.005 per common share of Eagle that was previously declared on February 15, 2017 for shareholders of record on February 28, 2017 will still be paid on March 23, 2017.

Previously, Eagle focused on a sustainable business model with capital expenditures using less than 100% of its annual cash flow to deliver total returns to its shareholders through both dividends and modest production growth. However, Eagle's capital budget for 2017, a year in which Eagle plans to build the platform for future reserves and production growth, requires 145% of Eagle's 2017 expected cash flow. This decision makes the payment of a

dividend neither sustainable nor sensible. When Eagle has successfully implemented this capital intensive phase of its growth, the Board may consider reinstating an appropriate dividend.

2016 Year-end Reserves Information

An independent evaluation of Eagle's U.S. reserves was conducted by Netherland, Sewell & Associates, Inc. and of Eagle's Canadian reserves by McDaniel & Associates Consultants Ltd. These reserves evaluation reports are effective December 31, 2016 and were prepared in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities.* Details regarding Eagle's reserves and oil and gas assets are set forth in Eagle's AIF.

2016 Year-End Reserves Report - Highlights

- Increased year-over-year proved developed producing reserves by 2%, total proved reserves by 9% and total proved plus probable reserves by 13%.
- Grew total proved plus probable reserves to approximately 20.9 million boe (68% proved, 52% proved producing).
- 92% of the proved developed producing reserves are light oil.
- Achieved total proved plus probable finding, development and acquisition costs (including changes in future development costs) of $7.16 per boe.
- Maintained Eagle's proved plus probable reserve life index above 14 years and replaced 184% of its reserves on a proved basis.

The following tables summarize the independent reserves estimates and values of Eagle's reserves as at December 31, 2016:

Summary of Reserves

Canadian Operations	**Company Gross[1]**				
Reserves Categories	**Crude Oil**	**Natural Gas Liquids**	**Natural Gas**	**Total Oil Equivalent 2016**	**Total Oil Equivalent 2015**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)	(Mboe)
Proved					
Developed producing	7,258	108	3,666	7,976	8,247
Developed non-producing	61	15	449	150	139
Undeveloped	833	58	1,765	1,185	787
Total proved	8,152	180	5,880	9,311	9,173
Total probable	3,856	118	3,774	4,602	4,174
Total proved plus probable	12,007	297	9,653	13,914	13,347

US Operations	**Company Gross[1]**				
Reserves Categories	**Crude Oil**	**Natural Gas Liquids**	**Natural Gas**	**Total Oil Equivalent 2016**	**Total Oil Equivalent 2015**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)	(Mboe)
Proved					
Developed producing	2,851	53	329	2,959	2,501
Developed non-producing	400	16	79	429	348
Undeveloped	1,339	75	371	1,475	1,007
Total proved	4,590	144	778	4,864	3,856
Total probable	1,905	125	618	2,132	1,358
Total proved plus probable	6,494	269	1,396	6,996	5,214

Total Company Operations	**Company Gross[1]**				
Reserves Categories	**Crude Oil**	**Natural Gas Liquids**	**Natural Gas**	**Total Oil Equivalent 2016**	**Total Oil Equivalent 2015**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)	(Mboe)
Proved					
Developed producing	10,109	161	3,994	10,935	10,748
Developed non-producing	461	31	528	579	487
Undeveloped	2,172	133	2,136	2,660	1,793
Total proved	12,741	324	6,658	14,175	13,028
Total probable	5,760	242	4,392	6,735	5,533
Total proved plus probable	18,502	567	11,050	20,910	18,561

Notes:

(1) Company gross reserves are Eagle's total working interest share before the deduction of any royalties and without including any of Eagle's royalty interests.

(2) Totals may not add due to rounding.

Summary of Net Present Value of Future Net Revenue of Reserves

Canadian Operations	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**
$CA	($000's)	($000's)	($000's)	($000's)	($000's)
Proved					
Developed producing	203,164	129,239	92,883	72,510	59,796
Developed non-producing	2,471	1,937	1,490	1,159	919
Undeveloped	20,770	13,252	8,659	5,678	3,638
Total proved	226,405	144,428	103,032	79,347	64,353
Total probable	152,563	65,425	36,994	24,688	18,114
Total proved plus probable	378,969	209,854	140,026	104,035	82,467

US Operations	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**
$US	($000's)	($000's)	($000's)	($000's)	($000's)
Proved					
Developed producing	82,388	59,325	47,900	40,847	35,950
Developed non-producing	18,748	9,994	6,915	5,440	4,558
Undeveloped	30,666	22,750	17,187	13,129	10,083
Total proved	131,803	92,069	72,002	59,416	50,591
Total probable	68,170	46,992	34,551	26,620	21,260
Total proved plus probable	199,972	139,061	106,553	86,035	71,851

Total Company Operations	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**
$CA	($000's)	($000's)	($000's)	($000's)	($000's)
Proved					
Developed producing	303,952	202,673	152,684	123,845	105,222
Developed non-producing	24,941	14,095	9,997	7,905	6,607
Undeveloped	56,761	39,851	28,648	20,840	15,172
Total proved	385,674	256,619	191,329	152,391	127,000
Total probable	234,039	121,874	78,711	56,991	44,041
Total proved plus probable	619,714	378,493	270,039	209,582	171,041

Notes:

(1) It should not be assumed that the net present values of estimated future net revenue shown above are representative of the fair market value of the reserves. There is no assurance that the underlying price and costs assumptions will be attained and variances could be material. The recovery and estimates of reserves provided in this MD&A are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided.

(2) The U.S. operations numbers have been converted into Canadian dollars using the following foreign exchange rates: 2017 - $CA 1.00 equal to $US 0.750; 2018 - $CA 1.00 equal to $US 0.775; 2019 - $CA 1.00 equal to $US 0.800; 2020 - $CA 1.00 equal to $US 0.825; 2021 and thereafter - $CA 1.00 equal to $US 0.850 (as per McDaniel & Associates Consultants Ltd. January 1, 2017 price deck forecast).

(3) Totals may not add due to rounding.

At a 10% discount factor, proved developed producing reserves comprise 57% (2015 – 61%) of the total proved plus probable value. Total proved reserves account for 71% (2015 – 75%) of the total proved plus probable value.

Future Development Costs ("FDC")

Total future development costs are estimated at $41.7 million for total proved and $62.3 million for total proved plus probable reserves. When compared to 2017 from funds flow from operations guidance of $16.0 million (see the "2017 Outlook" section of this MD&A for assumptions), future development costs represent 2.6 years and 3.9 years of funds flow from operations, respectively.

Reserves Performance Ratios

During 2016, Eagle's capital expenditures, including acquisition capital, resulted in capital efficiency statistics as shown in the following table.

	2016		2015	
	Proved	Proved plus Probable	Proved	Proved plus Probable
Reserves (Mboe)	14,175	20,910	13,028	18,561
Capital Expenditures ($M)				
Exploration and Development ("**E&D**")[1][8]	5,771	5,771	14,134	14,134
Acquisition[2][8]	5,144	5,144	30,970	30,970
Total Capital Expenditures	10,915	10,915	45,104	45,104
Field Netbacks ($/boe)[3]				
Current Year	16.12	16.12	19.30	19.30
Finding, Development and Acquisition ("FD&A") Costs[4][8]				
Change in Future Development Costs ("**FDC**") ($M)	11,219	15,691	8,652	8,006
Reserve Additions (Mboes)	2,515	3,717	2,880	3,788
FD&A Costs including changes in FDC ($/boe)[4]	8.80	7.16	18.66	14.02
FD&A Costs excluding changes in FDC ($/boe)[4]	4.34	2.94	15.66	11.91
Recycle Ratio[5][8]	1.83	2.25	1.03	1.38
Reserves Replacement[6][8]	184%	272%	234%	307%
Reserves Life Index (yrs)[7][8]	10.4	15.3	10.4	14.9

Notes:

(1) E&D is equal to expenditures for "exploration and evaluation" plus "oil and gas properties" from the Consolidated Cash Flow Statement.

(2) Acquisition refers to the January 2016 acquisition of Maple Leaf and the 2015 acquisition of the Twining properties. See "Overview of Eagle" and note 6 of the Audited Consolidated Annual Financial Statements.

(3) Field netbacks are calculated by subtracting royalties, operating expenses, and transportation and marketing expenses from revenues, which are from the Consolidated Statement of Earnings (Loss) and Comprehensive Earnings (Loss). Field netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures".

(4) Eagle calculates FD&A costs incorporating both the costs and associated reserve additions related to E&D and acquisitions during the year. Eagle believes that FD&A costs provide useful information to investors because it is a measure of the cost to locate new reserves and the ongoing expense of extracting petroleum throughout the lifecycle of the reserves.

(5) Recycle ratio is calculated by dividing field netback per boe by FD&A costs including changes in FDC per boe. Eagle believes that the recycle ratio provides useful information to investors because it is a measure of a company's production efficiency based on its FD&A costs.

(6) Reserves Replacement is calculated by dividing reserve additions by total working interest production for the year, which, in 2016, is based on average working interest production of 3,740 boe/d (2015 - 3,358 boe/d).

(7) Reserves Life Index is calculated by dividing reserves by total working interest production for the year, which, in 2016, is based on average working interest production of 3,740 boe/d (2015 - 3,358 boe/d).

(8) Eagle cautions readers as to the reliability of these capital efficiency statistics as these measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers.

Selected Annual Information

The following table shows selected information for Eagle's fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014.

Years ended December 31	2016	2015	2014
($000's except per share amounts and production)			
Sales volumes – boe/d	3,972	3,358	2,782
Revenue, net of royalties	48,993	48,121	67,175
Field netback	23,437	23,659	50,522
Funds flow from operations	15,798	30,738	33,958
per share – basic	0.38	0.88	1.01
per share - diluted	0.38	0.88	1.00
Earnings (loss)	9,559	(76,046)	(48,028)
per share – basic	0.23	(2.18)	(1.43)
per share - diluted	0.23	(2.18)	(1.55)
Current assets	9,302	19,767	33,245
Current liabilities	74,758	9,397	10,720
Total assets	218,199	208,572	257,172
Total non-current liabilities	26,202	92,616	57,547
Shareholders' equity	117,239	106,559	188,905
Dividends declared	3,821	12,040	33,524
per issued share	0.09	0.35	0.99
Shares issued	42,452	34,863	35,017

2016 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	24	-
Oil price[(2)]	$US 1.00/bbl WTI	292	0.01
Gas production	+1000 mcf/d	202	-
Oil production	+100 bbls/d	187	-
Currency[(2)]	CA weaken by $0.01	46	-
Interest rate	+1% prime	(158)	-

Notes:

(1) Per share figures are based on 42,451,623 weighted average basic shares outstanding for the three months ended December 31, 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 3,972 boe/d.

Consolidated Results of Operations

Production

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	**%**	**Year Ended December 31, 2016**	Year Ended December 31, 2015	**%**
Working interest (boe/d)	3,564	3,783	(6)	3,740	3,358	11
Royalty interest (boe/d)	239	-	-	232	-	-
Total (boe/d)	**3,803**	3,783	-	**3,972**	3,358	18

Working interest sales volumes for the three months ended December 31, 2016 decreased by 6% over the comparative period in 2015, while total sales volumes remained relatively the same. Full year working interest sales volumes averaged 3,740 boe/d (87% oil, 3% NGLs, 10% natural gas), and royalty interest volumes averaged 232 boe/d (22% oil, 17% NGLs, 61% natural gas), for total average production in 2016 of 3,972 boe/d, an increase of 18% over the previous year. The increase is due to the Maple Leaf acquisition in 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 December 31, 2016	Three Months Ended December 31, 2015	**%**	**Year Ended December 31, 2016**	Year Ended December 31, 2015	**%**
Working Interest						
Oil (bbl/d)	3,111	3,345	(7)	3,268	3,131	4
Natural gas (Mcf/d)	2,173	1,966	11	2,264	918	147
NGLs (bbl/d)	90	110	(18)	95	74	28
Oil equivalent sales volumes (boe/d @6:1)	**3,564**	3,783	(6)	**3,740**	3,358	11
Royalty Interest						
Oil (bbl/d)	55	-	-	50	-	-
Natural gas (Mcf/d)	848	-	-	843	-	-
NGLs (bbl/d)	43	-	-	41	-	-
Oil equivalent sales volumes (boe/d @6:1)	**239**	-	-	**232**	-	-
Total						
Oil (bbl/d)	3,166	3,345	(5)	3,318	3,131	6
Natural gas (Mcf/d)	3,021	1,966	54	3,107	918	238
NGLs (bbl/d)	133	110	21	136	74	84
Oil equivalent sales volumes (boe/d @6:1)	**3,803**	3,783	-	**3,972**	3,358	18

Revenue

$000's	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Working Interest Revenue[1]						
Oil	16,234	14,322	13	58,304	60,984	(4)
Natural gas	589	452	30	1,760	867	103
NGLs	215	154	40	744	461	61
Other	298	294	1	1,021	1,000	2
	17,336	15,222	14	**61,829**	63,312	(2)
Royalty Interest Revenue[1]						
Oil	250	-	-	792	-	-
Natural gas	147	-	-	379	-	-
NGLs	100	-	-	304	-	-
Other	-	-	-	-	-	-
	497	-	-	**1,475**	-	-
Total Revenue[1]						
Oil	16,484	14,322	15	59,096	60,984	(3)
Natural gas	736	452	63	2,139	867	147
NGLs	315	154	105	1,048	461	127
Other	298	294	1	1,021	1,000	2
	17,833	15,222	17	**63,304**	63,312	-

Notes:

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

For the three months ended December 31, 2016, revenue was 17% higher than the prior year's quarter due to a 17% increase in realized price per boe. For the year ended December 31, 2016, total revenue was consistent with the prior year as increased production of 18% was offset by a 16% price decrease.

Product Prices

Realized Prices	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Oil ($/bbl)	56.59	46.53	22	48.66	53.36	(9)
Natural gas ($/Mcf)	2.65	2.50	6	1.88	2.59	(27)
NGLs ($/bbl)	25.74	15.28	68	21.05	17.15	23
Other ($/bbl)	0.85	0.85	-	0.70	0.82	(14)
Revenue ($/boe)	**50.99**	43.74	**17**	**43.55**	51.66	(16)

Benchmark prices	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
WTI crude oil ($US/bbl)	**49.29**	42.18	17	**43.32**	48.80	(19)
Exchange rate ($CA/$US)	**1.33**	1.12	19	**1.33**	1.28	4
Edmonton Par crude oil ($CA/bbl)	**60.76**	52.55	16	**52.79**	57.45	(16)
NYMEX Gas ($US/Mcf)	**3.18**	2.24	42	**2.55**	2.55	(17)
AECO natural gas ($CA/Mcf)	**3.11**	3.11	-	**2.18**	2.18	(26)

Eagle’s quarterly revenue is 92% derived from oil. WTI increased 17% when compared to the fourth quarter of 2015, while Eagle’s realized oil price increased by 22%. The realized price increase is higher than the WTI increase due to the pricing contracts Eagle has in place.

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. Commencing January 1, 2017, a new six month contract has been negotiated resulting in the fixed pricing adjustment improving by $US 1.00 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 were on a month-to-month term, using WTI as a reference price and holding all other field pricing adjustments fixed. Commencing November 1, 2016, a new month-to-month term contract was negotiated which resulted in improvement in the fixed price adjustment 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 fourth quarter, was a discount of $CA 16.39 per barrel. For the Twining properties in Canada, the entire differential to WTI, including quality and transportation for the fourth quarter, was a discount of $CA 9.94 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 gain of $0.4 million ($0.99/boe) for the three months ended December 31, 2016 and a gain of $6.1 million ($4.17 per boe) for the twelve months ended December 31, 2016. See “Realized and Unrealized Risk Management Gain/Loss”.

Royalties

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	%	Year Ended December 31, 2016	Year Ended December 31, 2015	%
Working interest ($000's)	**3,913**	3,619	8	**14,041**	15,191	(8)
$/boe	11.94	10.40	15	10.26	12.40	(17)
Royalty interest[1] ($000's)	**29**	-	-	**270**	-	-
$/boe	1.32	-	-	3.18	-	-
Total ($000's)	**3,942**	3,619	9	**14,311**	15,191	(6)
$/boe[2]	11.27	10.40	8	9.84	12.40	(21)
Royalty rate on working interest sales:	**23%**	24%	(5)	**23%**	24%	(5)

Notes:

(1) Freehold mineral tax.

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

The overall royalty rate of approximately 23% for the three months ended December 31, 2016 was consistent with the prior year comparative period as the production ratio from Canadian properties and U.S. properties was consistent year-over-year. Canadian properties had an average royalty rate of approximately 14% in 2016 compared to an average royalty rate of 28% on the U.S. properties in 2016. The sliding scale nature of royalties paid on Canadian properties also 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 year ended December 31, 2016, royalties paid decreased 21% on a per boe basis when compared to the prior year. The decrease is due to lower realized commodity pricing resulting from the decline in WTI benchmark price 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 Expenses

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31 2015	%
Working interest ($000's)						
Operating expenses	6,382	5,640	13	23,538	22,108	6
Transportation and marketing expenses	417	716	(42)	2,018	2,354	(14)
	6,799	6,356	7	**25,556**	24,462	4
($/boe)						
Operating expenses	19.47	16.21	20	17.19	18.04	(5)
Transportation and marketing expenses	1.27	2.06	(38)	1.47	1.92	(23)
	20.74	18.27	14	**18.67**	19.96	(6)
Royalty interest ($000's)						
Operating expenses	-	-	-	-	-	-
Transportation and marketing expenses	-	-	-	-	-	-
	-	-	-	-	-	-
($/boe)						
Operating expenses	-	-	-	-	-	-
Transportation and marketing expenses	-	-	-	-	-	-
	-	-	-	-	-	-
Total operating expenses ($000's)						
Operating expenses	6,382	5,640	13	23,538	22,108	6
Transportation and marketing expenses	417	716	(42)	2,018	2,354	(14)
	6,799	6,356	7	**25,556**	24,462	4
($/boe)[(1)]						
Operating expenses	18.25	16.21	13	16.19	18.04	(10)
Transportation and marketing expenses	1.19	2.06	(42)	1.39	1.92	(28)
	19.44	18.27	6	**17.58**	19.96	(12)

Notes:

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

Per boe operating expenses (inclusive of transportation and marketing expenses) increased 11% from the third quarter of 2016 ($19.44 per boe compared to $17.46 per boe) and were 6% higher than the prior year comparative quarter. When compared to the third quarter of 2016, fourth quarter expenses are higher primarily due to increased well servicing costs in the U.S., as well as salt water disposal costs. When compared to fourth quarter 2015, operating expenses are higher on a per boe basis due to well servicing.

Operating expenses (inclusive of transportation and marketing expenses) totalling $6.8 million for the three months ended December 31, 2016 are comprised primarily of power (17%), water disposal fees (10%), chemicals (8%), oil transportation (7%), fuel (6%) and field salaries (6%). For the year ended December 31, 2016, operating expenses of $25.6 million were comprised primarily of power (19%), chemicals (8%), oil transportation (7%), water disposal fees (7%) and field salaries (7%).

Both the Canadian and U.S. properties saw a decrease in per boe operating expenses for the year ended December 31, 2016 when compared to the same period in 2015 due to Eagle's cost reduction initiatives.

In Canada, quarter-over-quarter transportation and marketing expenses on a per boe basis are lower due to lower negotiated trucking contracts. The transportation costs have decreased for the U.S. due to improved marketing charges.

Field Netback

	Three Months Ended December 31, 2016		Three Months Ended December 31, 2015		**Year Ended December 31, 2016**		Year Ended December 31, 2015	
	$000's	**$/boe**	$000's	$/boe	**$000's**	**$/boe**	$000's	$/boe
Revenue	17,833	50.99	15,222	43.74	63,304	43.55	63,312	51.66
Royalties	(3,942)	(11.27)	(3,619)	(10.40)	(14,311)	(9.84)	(15,191)	(12.40)
Operating expenses	(6,382)	(18.25)	(5,640)	(16.21)	(23,538)	(16.19)	(22,108)	(18.04)
Transportation and marketing expenses	(417)	(1.19)	(716)	(2.06)	(2,018)	(1.39)	(2,354)	(1.92)
Field netback	**7,092**	**20.28**	5,247	15.07	**23,437**	**16.12**	23,659	19.30
Sales volumes (boe/d)		**3,803**		3,783		**3,972**		3,358

Fourth quarter 2016 field netback is higher than in 2015 primarily due to the increase in commodity prices as production remained consistent.

Field netback is a non-IFRS measure. See "Non-IFRS Financial Measures".

Administrative Expenses

	Three Months Ended December 31, 2016	**Three Months Ended December 31, 2015**	**%**	**Year Ended December 31, 2016**	**Year Ended December 31, 2015**	**%**
Administrative expenses ($000's)	**2,743**	3,514	(22)	**11,207**	11,199	-
($/boe)	**7.84**	10.10	(22)	**7.71**	9.14	(16)

Total administrative expenses for the three months ended December 31, 2016 were $2.7 million, approximately 25% of the full 2016 year. Staff and related employment costs, professional fees and office costs account for 67%, 16% and 12% respectively of administrative expenses for the three months ended December 31, 2016. For the twelve months ended December 31, 2016, total administrative expenses were $11.2 million. Staff and related employment costs, professional fees and office costs account for 61%, 19% and 14% respectively of administrative expenses for the twelve months ended December 31, 2016. Total administrative expenses remained consistent year-over-year while costs per boe decreased by 16%. The decrease in per boe costs is a result of increased production and operations without commensurate increases in corporate overhead.

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)	375	bbls/d	Jan-17	Dec-17	45.10	45.10
NYMEX (i)	375	bbls/d	Jan-17	Dec-17	44.75	44.75
NYMEX (i)	750	bbls/d	Jan-17	Dec-17	52.00	52.00
NYMEX (i)	500	bbls/d	Jan-17	Dec-17	53.40	53.40

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

$000's	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Realized loss (gain)	(347)	(4,017)	(91)	(6,067)	(20,714)	(71)
Unrealized loss (gain)	4,418	(397)	(1,213)	15,191	7,962	91
Net loss (gain)	**4,071**	(4,414)	(192)	**9,124**	(12,752)	(172)

At December 31, 2016, Eagle had fixed price financial swap transactions for 2017 with a weighted average forward sale price of $US 49.70 WTI per barrel on 2,000 barrels of oil per day.

In addition to the above financial contracts, Eagle also has a fixed price physical swap on 986 barrels per day of oil fixing the differential between Edmonton Light Sweet and WTI at $US 3.25 per barrel for the period January 1, 2017 to December 31, 2017.

At December 31, 2015, Eagle had 366,000 barrels of oil hedged at an average price of $US 59.16 WTI per barrel, 549,000 GJs of natural gas at an average price of $2.83/GJ, and an Edmonton Light Sweet – WTI differential contract of $US 3.65 for 366,000 barrels of oil. The 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 the time of settlement. Eagle 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.

Finance Expense

	Three Months Ended December 31, 2016	**Three Months Ended December 31, 2015**	**%**	**Year Ended December 31, 2016**	**Year Ended December 31, 2015**	**%**
Finance expense ($000's)	**1,242**	864	44	**3,894**	2,973	31
($/boe)	3.55	2.16	64	2.68	2.43	10

Total finance expense for the three months ended December 31, 2016 increased over the prior year's comparative quarter due to the increase of interest rates and amortization of deferred financing costs in 2016.

For the year ended December 31, 2016, the total finance expense increased over the prior year's comparative period due to the increase of average debt outstanding in 2016 and an increase in interest rates.

As of December 31, 2016, the effective interest rate on bank debt for the period was 5.7% compared to 5.1% for the comparable period in 2015. During 2016, Eagle borrowed primarily by way of banker's acceptance, which was lower than the prime rate option of borrowing.

Funds Flow from Operations

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

	Three Months Ended December 31, 2016		Three Months Ended December 31, 2015		**Year Ended December 31, 2016**		Year Ended December 31, 2015	
	$000's	**$/boe**	$000's	$/boe	**$000's**	**$/boe**	$000's	$/boe
Field netback[(1)]	7,092	20.28	5,246	15.08	23,437	16.12	23,659	19.30
Cash settled award payments	(9)	(0.03)	(37)	(0.11)	(62)	(0.04)	(207)	(0.17)
Administrative expenses - cash	(2,743)	(7.84)	(3,512)	(10.10)	(10,882)	(7.49)	(11,199)	(9.14)
Realized risk management gain (loss)	347	0.99	4,017	11.54	6,067	4.17	20,714	16.90
Finance expense	(730)	(2.09)	(564)	(1.62)	(2,665)	(1.83)	(2,045)	(1.67)
Amortization of leasehold inducement	(17)	(0.05)	-	-	(17)	(0.01)	-	-
Income tax recovery(expense)	(39)	(0.11)	1	-	(75)	(0.05)	46	0.04
Realized foreign exchange gain (loss)[(2)]	-	-	(4)	(0.01)	(5)	-	(230)	(0.19)
Funds flow from operations	**3,901**	**11.15**	5,147	14.79	**15,798**	**10.87**	30,738	25.08

Note:

(1) Field netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures".

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

Share-based Compensation

$000's	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	**%**
Share-based compensation expense (recovery)	**299**	(525)	(157)	**388**	(882)	(144)

The total dollar amount of share-based compensation expense does not represent cash paid by Eagle. Of the $299,000 recorded in the fourth quarter, non-cash share-based compensation expense comprised $290,000 and $9,000 was paid out in cash for amounts related to vested RURs. The decrease in payments year-over-year is due to the reduction in Eagle's monthly cash dividend as RUR payments track with dividends. For the year ended December 31, 2016, the non-cash portion of share-based compensation expense was $326,000 and the cash portion was $62,000 for a total expense of $388,000.

Following the Arrangement, Eagle 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.

Depreciation, Depletion and Amortization

$000's	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	%	Year Ended December 31, 2016	Year Ended December 31, 2015	%
Depreciation, depletion and amortization	4,218	6,021	(30)	20,908	26,396	(21)
Impairment expense (recovery)	(34,120)	25,980	(231)	(34,120)	87,255	(139)
Total	**(29,902)**	32,001	(193)	**(13,212)**	113,651	(112)

The depletion, depreciation, and amortization provision for the three months and year ended December 31, 2016 was based on proved plus probable reserves, including the future development costs associated with those reserves, as outlined in the year-end 2016 reserves evaluation report prepared by Eagle's independent reserves evaluators.

For the Dixonville properties, a slight increase in reserves quarter-over-quarter, a decrease in carrying value due to an impairment in the fourth quarter of 2015, depletion booked during 2016 and minimal capital expenditures in 2016 resulted in a lower per boe depletion rate when compared to the fourth quarter of 2015, from $9.01 to $7.13 per boe. This lower rate, combined with a slight decrease in production, resulted in a decrease in total depletion for the Dixonville area of $300,000 when compared to the fourth of 2015.

The Twining area properties were acquired in the third quarter of 2015. The depletion rate in the fourth quarter of 2015 for these properties was $14.59 per boe compared to $11.28 per boe in the fourth quarter of 2016. An impairment in the fourth quarter of 2015 resulted in a lower carrying value in the fourth quarter of 2016 combined with increased reserves at the end of 2016 resulted in a decrease in total depletion for the Twining area of $330,000 compared to the fourth quarter of 2015.

For the Hardeman properties, a 30% increase in carrying value due to future development costs associated with a 50% increase in reserves, resulted in a per boe depletion rate of $17.70 in the fourth quarter of 2016 compared to $19.64 in the fourth quarter of 2015. This lower rate, combined with a slight decrease in production, resulted in a total depletion decrease for the Hardeman area of $517,000.

For the Salt Flat properties, a 20% decrease in carrying value due to a 2015 impairment, along with a 16% increase in reserves, resulted in a per boe depletion rate of $15.75 in the fourth quarter of 2016 compared to $22.03 in the fourth quarter of 2015. Production quarter-over-quarter was consistent and total depletion for the Salt Flat area for the three months ended December 31, 2016 decreased by $963,000.

Impairment

United States – Salt Flat and Hardeman Cash Generating Units

At December 31, 2016, Eagle's US assets were assessed for impairment. To calculate the impairment for the year, the fair value less costs to dispose of the assets for each CGU was estimated and then compared to the net book value for each CGU. The fair value was calculated by taking the net present value of the after tax cash flows from its oil and gas proved plus probable reserves as estimated by the third party reserve evaluators. A risk-adjusted discount rate of 11% (2015 – 11%) was used for both the Hardeman and Salt Flat CGUs and WTI prices of $US 55.00 in 2017, $US 58.70 in 2018, $US 62.40 in 2019, $US 69.00 in 2020, $US 75.80 in 2021, $US 77.30 in 2022, $US 86.20 in 2023, $US 80.40 in 2024, $US 82.00 for 2025, $US 91.40 for 2026, $US 83.70 for 2027 were used, with a +2%/year for the remainder.

Based on the analysis, despite lower pricing, Eagle recorded a reversal of previous impairment provisions of $22.5 million in the Salt Flat CGU and $10.6 million in the Hardeman CGU for the three months and year ended December 31, 2016. During the three months ended December 31, 2015 a $2.7 million expense was recorded in the Salt Flat CGU and $nil was recorded in the Hardeman CGU. For the year ended December 31, 2015, a $29.4 million expense was recorded in the Salt Flat CGU and a $10.4 million expense was recorded in the Hardeman CGU.

The $33.1 million impairment recovery on the U.S. assets for the three months and year ended December 31, 2016 was determined by calculating the fair value less costs to dispose of the assets for each CGU by taking the net present value of the after tax cash flows from the oil and gas proved plus probable reserves as estimated by the third party reserve evaluators, then comparing this to the net book value of the assets after accounting for depletion and depreciation charges on the property as if it had not been impaired (which will determine the maximum amount of the recovery).

The Salt Flat CGU was written up to its recoverable amount of $59.6 million based on the fair value less costs to dispose. The impairment reversal was due to increased proved developed producing reserves value over the previous year as a result of production from the wells drilled in 2016.

The Hardeman CGU was written up to its recoverable amount of $49.5 million. The impairment reversal was primarily due to additional future locations being added.

The calculation of the recoverable amount is sensitive to assumptions regarding production volumes, discount rates and commodity prices. A 1% increase (decrease) in the discount rate would have decreased (increased) the fair value estimate in the Salt Flat CGU by approximately $2.5 million and in the Hardeman CGU by approximately $3.1 million. In addition, a 10% increase (decrease) in the estimated future cash flows would have increased (decreased) the fair value estimate by $7.1 million in Salt Flat and $7.2 million in Hardeman.

Canada – Dixonville, Twining and NW Alberta Cash Generating Units

At December 31, 2016, Eagle's Canadian assets were assessed for impairment. To calculate the impairment for the year, the fair value less costs to dispose of the assets for each CGU was estimated and then compared to the net book value for each CGU. The fair value was calculated by taking the net present value of the after tax cash flows from its oil and gas proved plus probable reserves as estimated by the third party reserve evaluators. A risk-adjusted discount rate of 11.6% (2015 – 11.6%) was used for Dixonville, 11% (2015 – 11%) for Twining and 15% for the NW Alberta properties acquired in 2016. WTI prices of $US 55.00 in 2017, $US 58.70 in 2018, $US 62.40 in 2019, $US 69.00 in 2020, $US 75.80 in 2021, $US 77.30 in 2022, $US 86.20 in 2023, $US 80.40 in 2024, $US 82.00 for 2025, $US 91.40 for 2026, $US 83.70 for 2027 and +2%/year for the remainder were used for the valuation.

Based on the analysis, Eagle recorded a $7.0 million impairment in the Dixonville CGU for the three months and year ended December 31, 2016 (2015 – $14.5 million expense and $39.2 million expense respectively). Despite a lower forward pricing forecast, Eagle recorded an $8.2 million impairment reversal in the Twining CGU for the three months and year ended 2016 (2015 - $8.2 million expense). No impairment or recovery was taken for the NW Alberta CGU, being the properties which had been acquired through the January 2016 acquisition of Maple Leaf.

The impairment recovery amount was determined by calculating the fair value less costs to dispose of the assets for each CGU by taking the net present value of the after tax cash flows from the oil and gas proved plus probable reserves as estimated by the third party reserve evaluators, then comparing this to the net book value of the assets after accounting for depletion and depreciation charges on the property as if it had not been impaired, which will determine the maximum amount of the recovery.

The Dixonville CGU was written down to its recoverable amount of $58.9 million based on the fair value less costs to dispose. In Dixonville a 5% decrease in reserves due to 2016 production and a decrease in future pricing decreased the fair value year-over-year.

The Twining CGU was written up to its recoverable amount after accounting for depletion and depreciation charges to $35.8 million. The impairment reversal was primarily due to additional future locations being added.

The NW Alberta CGUs remained valued at $5.1 million, being the Maple Leaf acquisition costs at January 2016.

The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. A 1% increase (decrease) in the discount rate would have decreased (increased) the fair value estimate in the Dixonville CGU by approximately $4.7 million, $2.2 million n the Twining CGU $0.4 million in the NW Alberta CGU. In addition, a 10% increase (decrease) in the estimated future cash flows would have increased (decreased) the fair value estimate by $6.0 million in Dixonville, $5.2 million in Twining and $0.8 million in NW Alberta.

Tax Horizon

The tax horizon, as determined from a full cycle corporate model incorporating cash flows from the year end reserves evaluation report plus all applicable Canadian and U.S. deductions, indicates that no material corporate Canadian or U.S. taxes are expected to be payable in respect of income attributable to Eagle's properties for several years. Eagle may be subject to state taxes (Texas) or an alternative minimum tax depending on the deductibility of certain capital expenditures. The Texas state tax and alternative minimum tax rates are at 0.75% and 20%, respectively. In the case of alternative minimum tax, any amount paid can offset any future corporate tax payable. These taxes are not expected to be material.

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 indirect 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 have been repaid, thus any related period end foreign exchange translation adjustment is recorded in earnings or loss. For the year ended December 31, 2016, Eagle recorded a foreign exchange gain of $2.4 million (2015, $14.7 million loss) due primarily to a decrease in the average foreign exchange rate from the fourth quarter of 2015.

Capital Expenditures

Capital expenditures during the three month and twelve month periods ended December 31, 2016 were as follows:

$000's	**Three Months Ended December 31, 2016**	**Three Months Ended December 31, 2015**	**Year Ended December 31, 2016**	**Year Ended December 31, 2015**
Exploration and evaluation[(1)]	-	930	5	930
Acquisition – Twining	-	-	-	27,337
Acquisition – Maple Leaf	-	-	5,144	-
Intangible drilling and completions	1,173	4,344	4,420	11,265
Well equipment and facilities	-	2,161	1,346	5,571
Other	43	-	47	62
Total	**1,216**	7,435	**10,962**	45,165

Note:

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

Summary of Quarterly Results

	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
($000's except for boe/d and per share amounts)								
Sales volumes – boe/d	3,803	4,085	4,147	3,854	3,783	3,607	3,034	2,995
Revenue, net of royalties	13,891	12,854	13,149	9,099	11,603	13,428	12,884	10,206
per boe	39.72	34.20	34.84	25.94	33.34	40.46	46.66	37.86
Operating expenses	6,799	6,564	5,928	6,265	6,356	6,473	5,171	5,978
per boe	19.44	17.46	15.71	17.86	18.26	19.50	18.73	22.18
Field netback	7,092	6,290	7,221	2,834	5,246	6,956	7,713	3,744
per boe	20.28	16.74	19.13	8.08	15.08	20.96	27.94	13.89
Funds flow from operations	3,901	4,582	5,148	2,167	5,147	7,332	10,532	7,727
per boe	11.15	12.19	13.64	6.18	14.79	22.09	38.14	28.67
per share – basic	0.09	0.11	0.12	0.05	0.15	0.21	0.30	0.22
per share – diluted	0.09	.011	0.12	0.05	0.15	0.21	0.30	0.22
Earnings (loss)	30,508	52	(9,288)	(11,713)	(23,198)	(51,784)	(6,541)	5,477
per share – basic	0.72	0.00	(0.23)	(0.29)	(0.67)	(1.48)	(0.19)	0.16
per share - diluted	0.72	0.00	(0.23)	(0.29)	(0.67)	(1.48)	(0.19)	0.16
Cash dividends paid	637	636	1,274	1,584	2,614	3,143	3,130	3,153
per issued share	0.015	0.015	0.03	0.04	0.07	0.09	0.09	0.09
Current assets	9,302	9,787	10,618	12,829	19,767	21,862	13,382	31,459
Current liabilities	74,758	72,387	75,035	5,472	9,397	8,033	7,754	8,642
Total assets	218,199	190,945	195,044	199,708	208,572	228,959	245,009	265,342
Total non-current liabilities	26,202	31,690	32,397	96,317	92,616	91,316	52,012	60,835
Shareholders' equity	117,239	86,868	87,612	97,919	106,559	129,611	185,243	195,865
Shares issued	42,452	42,452	42,452	42,452	34,863	34,893	34,961	35,023

During the third quarter of 2016, sales volumes included initial production from wells in Canada and the U.S. that were restarted. The production levelled off during the three months ended December 31, 2016, causing a decrease in sales volumes when compared to the previous quarter.

Despite a quarter-over-quarter decrease in production, field netback increased in the fourth quarter primarily due to higher commodity prices. Funds flow from operations decreased in the fourth quarter of 2016 due to decreased production, increased administrative expenses related to year-end costs including audit and reserves and a lower risk management gain due to the higher WTI price. Generally, in times of increasing prices, funds flow from operations increases faster than increases in sales volumes because certain expenses tend to be more fixed in nature, such as general and administrative expenses, and do not change with sales volumes.

Earnings (loss) on a quarterly basis often do 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. In the fourth quarter of 2016, Eagle recognized an impairment recovery, net of impairment charges, of approximately $34 million.

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 December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Working interest						
Oil (bbl/d)	1,767	1,859	(5)	1,893	1,890	-
Natural gas (Mcf/d)	228	292	(22)	236	281	(16)
NGLs (bbl/d)	45	50	(10)	44	55	(20)
Oil equivalent sales volumes (boe/d @ 6:1)	**1,850**	1,958	(5)	**1,976**	1,992	(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)	1,767	1,859	(5)	1,893	1,890	-
Natural gas (Mcf/d)	228	292	(22)	236	281	(16)
NGLs (bbl/d)	45	50	(10)	44	55	(20)
Oil equivalent sales volumes (boe/d @ 6:1)	**1,850**	1,958	(5)	**1,976**	1,992	(1)

Field Netback ($000's)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Revenue	10,401	9,267	12	38,208	42,260	(10)
Royalties	(2,902)	(2,646)	10	(10,880)	(12,055)	(10)
Operating expenses	(2,971)	(2,882)	3	(11,882)	(12,958)	(8)
Transportation and marketing expenses	(26)	(23)	13	(75)	(111)	(32)
Field netback	**4,502**	3,716	21	**15,371**	17,136	(10)
($/boe)						
Revenue	61.11	51.46	19	52.82	58.13	(9)
Royalties	(17.05)	(14.69)	16	(15.04)	(16.58)	(9)
Operating expenses	(17.46)	(16.00)	9	(16.43)	(17.82)	(8)
Transportation and marketing expenses	(0.15)	(0.13)	18	(0.10)	(0.15)	(31)
Field netback	**26.45**	20.64	28	**21.25**	23.58	(10)

Capital Activity	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Capital expenditures ($000's)	783	2,923	(73)	4,827	14,053	(66)
Wells drilled (rig -released)						
Gross	-	2	(100)	2	8	(75)
Net	-	2	(100)	2	8	(75)
Wells brought on-stream						
Gross	-	-	-	2	5	(60)
Net	-	-	-	2	5	(60)

During the fourth quarter of 2016, capital expenditures were $0.8 million in the United States with average working interest sales volumes of 1,850 boe/d.

Revenue for the quarter was received primarily from three customers: Texican Crude Hydrocarbons LLC, Sunoco Logistics Partners L.P. ("**Sunoco**") and Plains Marketing L.P. ("**Plains**"), with revenue received amounting to $5.4 million (71%), $0.8 million (11%) and $0.7 million (10%) respectively. For the fourth quarter of 2015, $4.5 million (48%) of revenue was received from Sunoco and $1.2 million (13%) from Plains.

Salt Flat Properties, Texas

Continued cost vigilance and better than forecast production helped drive per barrel operating expenses to an all-time low for the year.

Hardeman Properties, Texas and Oklahoma

Construction began on the newest northern operating area salt water disposal well and it is expected the facility will be operational by the end of the first quarter of 2017.

Canada

Production	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	**%**	**Year Ended December 31, 2016**	Year Ended December 31, 2015	**%**
Working interest						
Oil (bbl/d)	1,344	1,487	(10)	1,375	1,241	11
Natural gas (Mcf/d)	1,945	1,674	16	2,028	637	218
NGLs (bbl/d)	45	59	(24)	51	19	168
Oil equivalent sales volumes (boe/d @ 6:1)	**1,713**	1,825	(6)	**1,764**	1,366	29
Royalty interest						
Oil (bbl/d)	55	-	-	50	-	-
Natural gas (Mcf/d)	848	-	-	843	-	-
NGLs (bbl/d)	43	-	-	41	-	-
Oil equivalent sales volumes (boe/d @ 6:1)	**239**	-	-	**232**	-	-
Total						
Oil (bbl/d)	1,399	1,487	(6)	1,425	1,241	15
Natural gas (Mcf/d)	2,793	1,674	67	2,871	637	351
NGLs (bbl/d)	88	59	49	92	19	384
Oil equivalent sales volumes (boe/d @ 6:1)	**1,953**	1,825	7	**1,996**	1,366	46

Field Netback ($000's)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Revenue	7,432	5,955	25	25,096	21,052	19
Royalties	(1,040)	(973)	7	(3,431)	(3,136)	9
Operating expenses	(3,411)	(2,758)	24	(11,656)	(9,150)	27
Transportation and marketing expenses	(391)	(693)	(44)	(1,943)	(2,243)	(13)
Field netback	**2,590**	1,531	69	**8,066**	6,523	24
($/boe)						
Revenue	41.37	35.47	17	34.36	42.23	(19)
Royalties	(5.79)	(5.80)	-	(4.70)	(6.29)	(25)
Operating expenses	(18.99)	(16.43)	16	(15.96)	(18.35)	(13)
Transportation and marketing expenses	(2.18)	(4.13)	(47)	(2.66)	(4.50)	(41)
Field netback	**14.42**	9.11	58	**11.04**	13.09	(16)

Capital Activity	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	%	**Year Ended December 31, 2016**	Year Ended December 31, 2015	%
Capital expenditures ($000's)	319	3,758	(92)	944	3,775	(75)
Wells drilled (rig-released)						
Gross	-	-	-	-	-	-
Net	-	-	-	-	-	-
Wells brought on-stream						
Gross	-	-	-	-	-	-
Net	-	-	-	-	-	-

During the fourth quarter of 2016, capital expenditures were $0.3 million in Canada with average volumes of 1,953 boe/d.

Revenue for the fourth quarter was received primarily from Trafigura Canada General Partnership ("**Trafigura**") in the amount of $5.6 million (75%). For the fourth quarter of 2015, $4.1 million of revenue was received from Trafigura.

Dixonville Properties, Alberta

After reinstating two pipeline segments in the third quarter, Eagle remains focused on operating efficiencies in the Dixonville field.

Twining Properties, Alberta

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 acquisition of Maple Leaf in January 2016 was maintained with no capital expenditures.

Corporate

$000's	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	%	Year Ended December 31, 2016	Year Ended December 31, 2015	%
Administrative expenses - cash	(2,743)	(3,512)	(22)	(10,882)	(11,199)	(3)
Risk management gain (loss) - realized	347	4,017	(91)	6,067	20,714	(71)
Cash settled award payments	(9)	(37)	(76)	(62)	(207)	(70)
Finance expense	(730)	(564)	29	(2,665)	(2,045)	30
Amortization of leasehold inducements	(17)	-	-	(17)	-	-
Income tax recovery (expense)	(39)	1	-	(75)	46	(263)
Realized foreign exchange gain (loss)	-	(4)	-	(5)	(230)	(98)
Funds flow from operations	**(3,191)**	(99)	3,123	**(7,639)**	7,079	(208)

For the three months and years ended December 31, 2016 and 2015, corporate administrative expenses decreased when compared to the prior year's comparative periods due to one-time transaction costs associated with the acquisition of the Twining properties in 2015. Finance expenses increased year-over-year due to the increase in average debt in 2016 as a result of the financing of the Twining acquisition. An active corporate hedging program contributed $6.1 million to funds flow from operations in 2016, compared to $20.7 million in 2015.

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 (3) the issuance of additional shares, if available on favourable terms. To better manage its liquidity risk, Eagle prepares annual capital expenditure budgets which are regularly monitored and updated as considered necessary. Further, Eagle utilizes authorizations for expenditures ("**AFEs**") on both operated and non-operated projects to manage capital expenditures. Eagle attempts to match its payment cycle with the collection of its oil and natural gas revenue each month.

On March 13, 2017 Eagle retired all amounts drawn under its $70 million authorized bank credit facility that was held with a syndicate of Canadian chartered banks and replaced it with a new four year secured term loan (the "**Loan Agreement**") from White Oak Global Advisors LLC ("**White Oak**") which provides up to $87 million (the current Canadian dollar equivalent of $US 65 million) of financing. Headquartered in San Francisco, White Oak is an SEC-registered investment advisor with assets under management of approximately $US 3 billion. Eagle drew approximately $82 million (the current Canadian dollar equivalent of $US 61.5 million) upon closing the Loan Agreement with White Oak and can draw the remaining $US 3.5 million prior to the first anniversary of closing.

Term Loan Financing - $CA 87 million ($US 65 million) – Closed March 13, 2017 - Details

The following lists the key terms of the Loan Agreement between Eagle and White Oak. A redacted version of the Loan Agreement can be found under Eagle's issuer profile on SEDAR at www.sedar.com:

- Effective Date – March 13, 2017
- Term – 4 years
- Maturity Date - March 13, 2021
- Aggregate Term Loan Commitment / Initial Borrowing Base - $US 65 million
- Borrowing Base Redeterminations – Quarterly, commencing June 15, 2017 and based upon an advance rate of 75% of the proved developed producing reserves value, discounted at 10% ("**PDP PV10 reserves value**").
- Drawings - $US 61.5 million initially drawn on the Effective Date. The incremental $US 3.5 million can be drawn at Eagle's option upon Eagle completing a notice of borrowing and drawing prior to March 13, 2018.
- Coupon – LIBOR plus 8% (with LIBOR having a floor of 1%).

- Financial covenants – The four financial covenants in the Loan Agreement are briefly described below:

  (a) Consolidated Leverage Ratio

  As at the end of each fiscal quarter, commencing with the quarter ended June 30, 2017, Eagle is to maintain a Consolidated Leverage Ratio of not greater than 3.50 to 1.00 for each fiscal quarter ending on or prior to December 31, 2017 and a ratio of not greater than 3.00 to 1.00 for each fiscal quarter ending on or after March 31, 2018.

  The "Consolidated Leverage Ratio" is defined in the Loan Agreement as the ratio of Consolidated Funded Debt to Consolidated Adjusted EBITDAX for the trailing four fiscal quarters. Consolidated Adjusted EBITDAX is generally defined as net income before interest, taxes, depreciation, depletion, amortization or other expenses, gains or losses that do not represent a cash item in such period.

  (b) Consolidated Fixed Charge Ratio

  As at the end of each fiscal quarter, commencing with the quarter ended March 31, 2017, Eagle is to maintain a Consolidated Fixed Charge Ratio of not less than 2.50 to 1.00.

  The "Consolidated Fixed Charge Ratio" for the fiscal quarter is defined in the Loan Agreement as the ratio that (i) Consolidated Adjusted EBITDAX plus (ii) income tax payments minus (iii) maintenance capital expenditures associated with proved developed producing reserves is to interest expense (each for the fiscal quarter).

  (c) Asset Coverage Ratio

  As at the end of each fiscal quarter, commencing with a March 31, 2017 effective date reserve report internally prepared by Eagle, Eagle is to maintain an Asset Coverage Ratio of not less than 1.333 to 1.000.

  The "Asset Coverage Ratio" is defined in the Loan Agreement as the ratio of the PDP PV10 reserves value (using prices quoted on NYMEX) to the aggregate principal balance outstanding under the term loan.

  (d) Consolidated Current Ratio

  As at the end of each fiscal quarter, commencing with the quarter ended March 31, 2017, Eagle is to maintain a Consolidated Current Ratio of not less than 1.00 to 1.00.

  The "Consolidated Current Ratio" is defined in the Loan Agreement as the ratio of Consolidated Current Assets to Consolidated Current Liabilities, but, in each case, excluding any risk management assets or risk management liabilities that are classified as current.

Consolidated Adjusted EBITDAX and the financial ratios described above, which are used for the purpose of the financial covenants in the Loan Agreement, are non-IFRS financial measures. Refer to "Non-IFRS Financial Measures".

Credit Facility in Effect Prior to March 13, 2017

As of December 31, 2016, the amount drawn on the credit facility held with a syndicate of Canadian chartered banks was classified as a "current" instead of a "non-current" liability. This is because the May 27, 2017 maturity date of the credit facility fell within twelve months of the balance sheet date.

At December 31, 2016, Eagle had a working capital surplus, excluding the risk management liability, of approximately $2.3 million and $8.8 million available under its then $70.0 million authorized credit facility.

At December 31, 2016 there were no covenant violations under or in connection with the credit facility. The debt to four quarter trailer EBITDAX ratio at December 31, 2016 was 3.3 to 1.00 and the current ratio at December 31, 2016 was 2.6 to 1.00.

On May 31, 2016, Eagle finalized its semi-annual borrowing base redetermination of the credit facility which resulted in: (i) amendments being made to its credit facility 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 facility 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).

On November 3, 2016, the semi-annual review was finalized, with no changes made from May 31, 2016.

The next semi-annual redetermination review of the credit facility was to be finalized no later than May 27, 2017. In the event that a borrowing base redetermination results in a reduction of the authorized credit facility below the amount outstanding under the credit facility (such that a "borrowing base deficiency" exists) the credit facility instructed that Eagle must elect to take any one or a combination of the following actions: (1) Repay the borrowing base deficiency within 10 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 borrowing base deficiency within 30 days. A summary of the significant amendments made to the credit facility agreement effective May 31, 2016 is set forth below and a redacted version of the entire credit facility agreement can be found under Eagle's issuer profile on SEDAR at www.sedar.com.

Summary of Significant Amendments to Covenants, Terms and Conditions of Credit Facility Agreement made May 31, 2016

Under the credit facility agreement, Eagle was 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 facility agreement's covenants, terms and conditions made effective May 31, 2016 which remained in effect through to the retirement of this credit facility on March 13, 2017.

- Borrowing base of $CA 70 million.
- Maturity date of the credit facility of May 27, 2017 remained unchanged.
- The covenant that restricted Eagle from paying dividends to its shareholders if any default, event of default or borrowing base deficiency occurred and was continuing or would have resulted from such dividend, or if the cash dividend payments made for the trailing four quarters exceeded the Available Distributable Cash Flow (as defined by the credit facility agreement, and which was $14.8 million at December 31, 2016) for the trailing four quarters, remained unchanged.
- A new covenant was added that restricted Eagle from paying dividends in an amount that exceeded $0.005 (half a cent) per share per month, beginning with the dividend declared in July 2016 and ending with any dividend that may be declared in June 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. 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 were 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 remained unchanged from that disclosed in Eagle's 2015 annual financial statements.
    - Under the credit facility, "**EBITDAX**" meant, calculated for such period:
    - (a) Net Income for such period of determination; plus
    - (b) to the extent deducted in determining net income, interest expense, charges against income for foreign, federal, state, and local taxes, depreciation, amortization, depletion and exploration expense and other non-recurring expenses that do not represent a cash item in such period or any future period; minus
    - (c) extraordinary or non-recurring gains for such period minus
    - (d) any gain realized upon an asset disposition of any assets (other than in the ordinary course of business); minus
    - (e) non-cash gains, losses or adjustments under Financial Accounting Standards Board (FASB) Statement 133 as a result of changes in the fair market value of derivatives; minus
    - (f) Federal, state, local and foreign income tax credits;
    - In addition, EBITDAX is calculated after giving effect on a pro-forma basis to any permitted acquisition or asset disposition as if such acquisition or disposition occurred at the beginning of such period.

- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a minimum current ratio (being the ratio of current assets plus the unused availability under the credit facility less cash subject to restriction and risk management assets and other assets resulting from a mark-to-market valuation is to current liabilities less the current portion of long-term debt and risk management liabilities and other liabilities resulting from a mark-to-market valuation) of not less than 1.00 to 1.00 remained unchanged.
- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a minimum four quarter trailing interest expense coverage ratio of 3.00 to 1.00 was deleted.

The maturity date of the credit facility agreement represented the date (the "commitment termination date") through which the syndicate of Canadian bank lenders were obligated under the terms and conditions set forth in the credit facility agreement to make advances to Eagle up to the authorized borrowing base amount in effect from time to time. In the event that prior to May 27, 2017, (i) Eagle and its syndicate of Canadian bank lenders had not amended the credit facility agreement to reflect a later maturity date, or (ii) Eagle did not repay amounts outstanding under the existing credit facility agreement by refinancing with a new credit agreement (which may or may not have included the existing syndicate of Canadian bank lenders), the credit facility agreement instructed that Eagle would repay all outstanding principal and accrued interest amounts on May 27, 2017.

In the event that a borrowing base redetermination resulted in a reduction of the authorized credit facility below the amount outstanding under the credit facility (such that a "borrowing base deficiency" existed) the credit facility instructed that Eagle must elect to take any one or a combination of the following actions: (1) Repay the borrowing base deficiency within 10 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 borrowing base deficiency within 30 days.

Working Capital

At December 31, 2016, Eagle had a $59.0 million working capital deficit, which excludes the $6.5 million risk management liability, but includes the $61.3 million drawn on its $CA 70 million credit facility agreement (see "Credit Facility in Effect Prior to March 13, 2017"). The amount drawn on the credit facility is included in current liabilities because the May 27, 2017 credit facility agreement maturity date falls within twelve months of the balance sheet date of December 31, 2016 thereby requiring the amount drawn on the credit facility 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 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.

Concurrent with embarking on a more growth oriented strategy, Eagle announced on March 13, 2017 a suspension of its dividend following the payment of its February 2017 dividend. The February dividend of $0.005 per common share of Eagle that was previously declared on February 15, 2017 for shareholders of record on February 28, 2017 will still be paid on March 23, 2017.

Previously, Eagle focused on a sustainable business model using less than 100% of its annual cash flow to deliver total returns to its shareholders through both dividends and modest production growth. However, Eagle's capital budget for 2017 requires 145% of Eagle's 2017 expected cash flow. This decision makes the payment of a dividend neither sustainable nor sensible. Once Eagle successfully implements its capital intensive phase of its growth, the Board may consider reinstating an appropriate dividend.

Cash dividends paid in the fourth quarter (for the September 29, 2016, October 31, 2016 and November 30, 2016 record dates) totalled approximately $0.7 million. Cash dividends paid for the year ended December 31, 2016 totalled approximately $4.1 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 December 31, 2016, Eagle had issued 42,451,623 shares (December 31, 2015 – 34,863,364).

As at the date of this MD&A, 42,451,623 shares are issued and outstanding and 1,836,579 RSUs and 721,031 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)]	3,206	883	1,343	980
Total contractual obligations	**3,206**	**883**	**1,343**	**980**

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 June 30, 2016 through February 28, 2023 approximate $3.1 million and include a leasehold improvement allowance up to $0.2 million, with 74 months and approximately $2.8 million remaining at December 31, 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 2 months and approximately $0.04 million remaining at December 31, 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 December 31, 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, with 12 months and approximately $US 0.3 million remaining at December 31, 2016. In $CA the remaining future minimum lease payments approximate $0.4 million translated at the exchange rate in effect at the balance sheet date of $US 1 equal to $CA 1.34.

Legal Proceedings

Eagle is involved in various litigation and claims in the normal course of Eagle's operations. Although the outcome of these claims cannot be predicted with certainty, Eagle does not expect these matters to have a material adverse effect on Eagle's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Eagle's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation and claims are recognized if Eagle determines that the loss is probable and the amount can be reasonably estimated. Eagle believes it has made adequate provision for such legal claims.

Transactions with Related Parties

Key Management Personnel

Key management personnel include the Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Executive Vice President, General Counsel/Corporate Secretary and the outside Directors.

Intercompany Transactions

There are certain intercompany transactions among the subsidiaries comprising the consolidated financial statements of Eagle. Other than realized foreign exchange gains or losses, transactions have been eliminated upon consolidation.

Non-IFRS Financial Measures

Statements throughout this MD&A make reference to the terms "field netback", "Consolidated Adjusted EBITDAX", "Consolidated Leverage Ratio", "Consolidated Fixed Charge Ratio", "Asset Coverage Ratio" and "Consolidated Current 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.

"**Field netback**" is calculated by subtracting royalties, operating expenses, and transportation and marketing expenses from revenues. This method of calculating field netback is in accordance with the standards set out in the Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter). Management believes that field netback provides useful information to investors and management because such a measure reflects the quality of production and the level of profitability.

The term "Consolidated Adjusted EBITDAX" is used for purposes of covenant calculations in the Loan Agreement and is calculated as set out below. The terms "Consolidated Leverage Ratio", "Consolidated Fixed Charge Ratio", "Asset Coverage Ratio" and "Consolidated Current Ratio" are used for purposes of covenant calculations in the Loan Agreement and are calculated as described above under the heading, "Term Loan Financing - $CA 87 million ($US 65 million) - Closed March 13, 2017 - Details".

Consolidated Adjusted EBITDAX", as defined in the Loan Agreement, means:

(a) net income; plus;

(b) interest expense, accrued taxes, depreciation, depletion, amortization, exploration expense and other non-recurring expenses that do not represent a cash item in such period or any future period; plus or minus;

(c) gains or losses attributable to write-ups or write-downs of assets; plus or minus;

(d) unrealized foreign exchange gains or losses; plus or minus;

(e) non-cash gains, losses or adjustments under Financial Accounting Standards Board (FASB) Statement 133 as a result of changes in the fair market value of derivatives; plus or minus;

(f) non-cash, share-based compensation or recovery amounts.

In addition, EBITDAX is calculated after giving effect on a pro-forma basis to any permitted acquisition or asset disposition as if such acquisition or disposition occurred at the beginning of such period.

Critical Accounting Estimates and Judgments

Eagle makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of Oil and Gas Reserves

Oil and gas reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as fair value less cost to dispose of property, plant and equipment for the impairment calculation, depletion and decommissioning provisions) that are based on reserves are also subject to change.

Capitalized Exploration and Evaluation Expenditures

In making decisions about whether to continue to capitalize exploration and evaluation expenditures, it is necessary to make judgments about the commercial reserves and the level of activities that constitute on-going evaluation determination. If there is a change in any judgment in a subsequent period, then the related capitalized exploration and evaluation expenditure would be expensed in that period, resulting in a charge to income.

Business Combinations

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The consideration transferred in a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred in a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. Any non-controlling interest or equity interest held which becomes a component of an acquisition is included in the computation of goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the fair value of the net assets is reassessed. Provided the cost remains less than the fair value of the net assets acquired, after reassessment, the difference is recognized in the income statement.

Decommissioning Provision

Estimates of the amounts of provision for decommissioning recognized are based on current legal and constructive requirements, technology, and price levels. As actual outflows may be different from estimates due to changes in laws, regulations, technology, prices and conditions, and can take place in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. Eagle has interpreted the accounting standard to use the risk-free discount rate for calculating the present value of the decommissioning obligation.

Impairment (Recovery) of Oil and Gas Assets

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to dispose. These calculations require the use of estimates and assumptions. It is reasonably possible that the commodity price assumption may change, which may impact the estimated life of the asset and may require a material adjustment to the carrying value of assets. Eagle monitors recent transaction within the industry, long-term views of commodity prices, externally evaluated reserves volumes and discount rates specific to the CGU.

Income Taxes

Eagle recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires Eagle to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of Eagle to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

Additionally, future changes in tax laws in the jurisdiction in which Eagle operates could limit the ability of Eagle to obtain tax deductions in future periods.

Derivative Financial Instruments

As described in the Risk Management section of this MD&A, derivative financial instruments are used by Eagle to manage its exposure to market risks relating to commodity prices. Eagle's policy is not to use derivative financial instruments for speculative purposes. Derivative financial instruments that do not qualify, or are not designated, as hedges for accounting are recorded at fair value. Instruments are recorded in the balance sheet as either an asset or a liability with changes in fair value recognized in the income statement. The estimate of fair value of all derivative instruments is based on quoted market prices, or in their absence, third-party market indications and forecasts. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

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, 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.

Risk Management

For a more detailed description of the risks and uncertainties faced by Eagle, refer to Eagle's Annual Information Form. Eagle's activities expose it to a variety of financial risks that arise as a result of its exploitation, development, production, and financing activities such as:

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

Credit risk is the risk of financial loss to Eagle if a customer, joint venture partner or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from Eagle's receivables from its product marketers and joint venture partners. Eagle limits its exposure in this regard, by investing only in liquid securities, by taking its products in kind from joint venture partners when practical, by cash-calling joint venture partners or having them post adequate security when undertaking their share of significant capital or operating expenditures and by transacting with marketing counterparties that have an established credit rating or who have posted adequate security.

Eagle's operations are conducted in Canada and the United States. Exposure to credit risk is primarily influenced by the individual characteristics of each customer.

Receivables from Eagle's product marketers are normally collected in the month following production. Eagle's policy to mitigate credit risk associated with these balances is to establish marketing relationships with reputable purchasers with good credit. Eagle historically has not experienced collection issues with its marketers. If required, Eagle would obtain collateral from its marketers.

Joint venture receivables are with customers in the oil and gas industry and are subject to normal industry credit risks. Eagle attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. In certain circumstances, Eagle may request an operating advance, cash call a partner in advance of capital expenditures being incurred or revoke a non-operating working interest owners take-in-kind rights pursuant to joint operating agreement provisions. With respect to receivables related to non-operated properties, Eagle endeavours to take its revenue in kind and provisions in the joint operating agreement allow Eagle to assume operatorship in certain circumstances.

Liquidity risk is the risk that Eagle will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that Eagle will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Eagle's reputation.

At December 31, 2016, Eagle had a working capital surplus, excluding the risk management liability, of approximately $2.3 million and $8.8 million available under its $70.0 million authorized credit facility. To better manage its liquidity risk, Eagle prepares annual capital expenditure budgets which are regularly monitored and updated as considered necessary. Further, Eagle utilizes AFEs on both operated and non-operated projects to manage capital expenditures. Eagle attempts to match its payment cycle with the collection of its oil and natural gas revenue each month. Refer to "Liquidity and Capital Resources".

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect Eagle's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by many factors including world economic events that dictate the levels of supply and demand and the relationship between the Canadian and United States dollar. Eagle enters into certain financial derivative instruments periodically to economically hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors. As at the date of this MD&A, Eagle has entered into contracts to mitigate the effect of commodity price fluctuations. Refer to the "Realized and Unrealized Risk Management Gain/Loss" section of this MD&A.

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in market foreign exchange rates. There is an element of foreign exchange risk to Eagle. Eagle's treasury management function is responsible for managing funding requirements and investments, which include banking and cash flow management. Prices for oil are determined in global markets and generally denominated in US dollars. Generally, an increase in

the value of the $CA as compared to the $US will reduce the Canadian dollar equivalent prices received by Eagle for its petroleum and natural gas sales in the U.S., but will also reduce the Canadian dollar equivalent operating expenses associated with those sales. During 2016, Eagle did not enter into any foreign exchange contracts.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Eagle may be exposed to interest rate risk at both fixed and variable rates as it borrows funds. As at December 31, 2016, $CA 61.2 million had been drawn against the revolving $CA 70 million credit facility. Borrowings are by way of Banker's Acceptance (BAs) or prime advances. The carrying value of Eagle's debt outstanding on its revolving credit facility approximates its fair value and is consistent with a Level 2 valuation. Eagle did not hedge against any interest rate exposure.

Conclusions regarding the design and effectiveness of disclosure controls and procedures

Disclosure controls and procedures are controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to Eagle's management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. As at December 31, 2016, the Chief Executive Officer and the Chief Financial Officer evaluated the design and operation of Eagle's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that Eagle's disclosure controls and procedures were effective as at December 31, 2016.

Conclusions regarding the design and effectiveness of internal controls over financial reporting

Internal controls are processes designed and implemented by Management to provide reasonable assurance regarding the reliability of Eagle's financial reporting and the preparation of financial statements and other financial information for external purposes in accordance with IFRS. Based on an evaluation of Eagle's internal controls over financial reporting as at December 31, 2016, the Chief Executive Officer and the Chief Financial Officer concluded that Eagle's internal controls over financial reporting were effective.

No change in internal controls over financial reporting during the period October 1, 2016 to December 31, 2016

During the period beginning on October 1, 2016 and ended on December 31, 2016, there was no change in Eagle's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, Eagle's internal controls over financial reporting. 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.

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 loan with White Oak, including terms relating to maturity date, borrowing base redeterminations, future drawings, and financial covenant ratio calculations;
- Eagle's expectations regarding its business strategy and that the loan from White Oak establishes a foundation for Eagle to execute a growth strategy over the next four years and accelerate the development of its low risk drilling inventory;
- Eagle's expectation that 2017 ending net debt will be $71.2 million, thus affording Eagle approximately $13 million in combined working capital and undrawn term loan availability at the end of 2017;
- Eagle's estimated volumes and values of reserves;
- Future development costs associated with reserves;

- Eagle's 2017 capital budgets, specific uses and relationship to 2017 expected cash flow;
- Eagle's expectations regarding its 2017 full year average production, monthly operating costs, field netbacks (excluding hedges) and proved developed producing corporate decline rate;
- Eagle's expectation that year-over-year fourth quarter average production will increase and that its 2017 capital budget will enable it to exploit substantial, internally-identified drilling opportunities in Eagle's Hardeman and Twining fields;
- Eagle's expectations regarding its 2017 funds flow from operations and sensitivity of this metric to commodity prices, production and foreign exchange rates;
- Eagle's expectations regarding the reduction in 2017 general and administrative expenses;
- Anticipated crude oil, natural gas liquids and natural gas production weighting; and
- Eagle's expectations regarding its dividend strategy.

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

- future crude oil, NGL and natural gas prices, differentials and weighting;
- future foreign exchange rates;
- future production levels;
- future recoverability of reserves and the accuracy of Eagle's reserves volumes and values;
- future dividend levels;
- future capital expenditures and the ability of Eagle to obtain financing on acceptable terms for its capital projects, operations and future acquisitions;
- Eagle's 2017 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;
- the ability of Eagle to complete new acquisitions;
- future production estimates, which are 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, among other things; and
- projected operating costs, which are based on historical information and anticipated changes of the cost of equipment and services, among other things.

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 crude oil, NGL, and natural gas prices;
- commodity supply and demand;
- fluctuations in foreign 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 2017 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, 2017 capital budget, funds flow from operations and reserves are subject to change in light of ongoing results, prevailing economic circumstances, obtaining regulatory approvals, 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. These statements speak only as of the date of this MD&A and may not be appropriate for other purposes. 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.

Note Regarding Barrel of Oil Equivalency

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.

Consolidated Financial Statements
(in Canadian dollars)

For the Years ended December 31, 2016 and December 31, 2015

Management's Report to the Shareholders of Eagle Energy Inc.

The accompanying consolidated financial statements of Eagle Energy Inc. ("**Eagle**") are the responsibility of the Board of Directors (the "**Board**").

The consolidated financial statements have been prepared by Management, on behalf of the Board, in accordance with accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, Management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date. In the opinion of Management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Eagle's disclosure controls and procedures and has concluded that such disclosure controls and procedures are effective.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements. An independent firm of Chartered Professional Accountants, as appointed by the Board, examines the consolidated financial statements in accordance with International Financial Reporting Standards and provides an independent professional opinion.

The Board carries out its responsibility for the financial reporting and internal controls principally through an Audit Committee. The committee has met with external auditors and Management in order to determine if Management has fulfilled its responsibilities in the preparation of the consolidated financial statements. The consolidated financial statements have been approved by the Board on the recommendation of the Audit Committee.

(signed) Richard W. Clark
Richard W. Clark
Chief Executive Officer and Director

MARCH 16, 2017

(signed) Kelly A. Tomyn
Kelly A. Tomyn
Chief Financial Officer

MARCH 16, 2017

March 16, 2017

Independent Auditor's Report

To the Shareholders of
Eagle Energy Inc.

We have audited the accompanying consolidated financial statements of Eagle Energy Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of earnings (loss) and comprehensive earnings (loss), statements of changes in shareholders' equity and statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
111 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eagle Energy Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Eagle Energy Inc.

Consolidated Balance Sheets

(Thousands of Canadian dollars)

	Note	**December 31, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash		-	3,089
Trade and other receivables		8,035	5,207
Prepaid expenses		1,267	2,309
Risk management asset	4	-	9,162
		9,302	**19,767**
Non-current assets			
Exploration and evaluation assets	15	1,007	1,033
Oil and gas properties	16	207,621	186,859
Property, plant and equipment		106	168
Other intangible assets		163	745
Deferred income tax	11	-	-
		208,897	**188,805**
Total Assets		**218,199**	**208,572**
LIABILITIES			
Current liabilities			
Trade and other payables		6,803	8,647
Dividends payable		212	523
Share-based payments	8	-	227
Risk management liability	4	6,498	-
Debt	17	61,245	-
		74,758	**9,397**
Non-current liabilities			
Debt	17	-	65,618
Decommissioning liability	18	26,202	26,998
		26,202	**92,616**
Total Liabilities		**100,960**	**102,013**
SHAREHOLDERS' EQUITY			
Share capital	19	320,012	315,379
Currency reserves	9	35,372	35,615
Contributed surplus	8	552	-
Deficit		(238,697)	(244,435)
Total Shareholders' Equity		**117,239**	**106,559**
Total Liabilities and Shareholders' Equity		**218,199**	**208,572**

The notes are an integral part of these consolidated financial statements.
See note 21 "Commitments" and note 22 "Subsequent Event".

Approved by the Board

(signed) *"David Fitzpatrick"*
David Fitzpatrick
Director

(signed) *"Bruce Gibson"*
Bruce Gibson
Director

Eagle Energy Inc.

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

(Thousands of Canadian dollars, except per share amounts)

	Note	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Revenue		63,304	63,312
Royalties		(14,311)	(15,191)
		48,993	**48,121**
Operating expenses		23,538	22,108
Transportation and marketing expenses		2,018	2,354
Administrative expenses		11,207	11,199
Depreciation, depletion and amortization	12	20,908	26,396
Impairment expense (recovery)	12	(34,120)	87,255
Operating earnings (loss)		**25,442**	**(101,191)**
Share-based compensation expense (recovery)	8	388	(882)
Finance expense	10	3,894	2,973
Risk management loss (gain)	4	9,124	(12,752)
Foreign exchange loss (gain) net	9	5	230
Foreign exchange loss (gain) on intercompany loan	9	2,397	(14,668)
Earnings (loss) before taxes		**9,634**	**(76,092)**
Income tax expense (recovery)	11	75	(46)
Earnings (loss)		**9,559**	**(76,046)**
Foreign currency translation gain (loss)		(243)	6,121
Comprehensive earnings (loss)		**9,316**	**(69,925)**
Earnings (loss) per share	14		
Basic and diluted		**0.23**	**(2.18)**

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

Eagle Energy Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Thousands of Canadian dollars)

	Note	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Share Capital	19		
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)	(5)
Cancellation of shares pursuant to NCIB		-	(1,833)
Balance, end of period		**320,012**	**315,379**
Currency Reserves			
Balance, beginning of period		35,615	**29,494**
Foreign currency translation gain (loss)		(243)	6,121
Balance, end of period		**35,372**	**35,615**
Contributed Surplus			
Balance, beginning of period		-	-
Share-based payments	8	552	-
Balance, end of period		**552**	-
Deficit			
Balance, beginning of period		(244,435)	(157,739)
Earnings (loss)		9,559	(76,046)
Cancellation of shares pursuant to NCIB		-	1,390
Dividends		(3,821)	(12,040)
Balance, end of period		**(238,697)**	**(244,435)**

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

Eagle Energy Inc.

Consolidated Cash Flow Statements

(Thousands of Canadian dollars)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from operating activities		
Earnings (loss)	9,559	(76,046)
Adjustments for non-cash items:		
Impairment expense (recovery)	(34,120)	87,255
Depreciation, depletion and amortization	20,908	26,396
Share-based compensation – non-cash portion	326	(1,089)
Unrealized risk management loss	15,191	7,962
Foreign exchange loss (gain) on intercompany loan	2,397	(14,668)
Finance expense	1,229	928
Amortization of leasehold inducement	(17)	-
Administrative expenses - non-cash portion	325	-
Funds flow from operations	**15,798**	**30,738**
Changes in working capital:		
Trade and other receivables	(3,122)	2,431
Prepaid expenses	1,031	(969)
Trade and other payables	(284)	(640)
Working capital acquired	143	-
	(2,232)	822
Net cash generated by operating activities	**13,566**	**31,560**
Cash flows from investing activities		
Exploration and evaluation	(5)	(930)
Oil and gas properties	(5,766)	(15,762)
Property, plant and equipment	(47)	(62)
Acquisition of oil and gas assets	-	(4,531)
Change in non-cash working capital	(1,355)	(173)
Net cash used in investing activities	**(7,173)**	**(21,458)**
Cash flows from financing activities		
Debt	(4,373)	18,418
Debt – acquisition of oil and gas assets	-	(22,806)
Proceeds from issuance of shares	-	67
Purchase of shares for cancellation	-	(463)
Share issue costs	(906)	(5)
Cash dividends to shareholders	(3,821)	(12,586)
Deferred financing charges	(204)	(432)
Change in non-cash working capital	(310)	(727)
Net cash used in financing activities	**(9,614)**	**(18,534)**
Net decrease in cash and cash equivalents	**(3,221)**	**(8,432)**
Effects of exchange rates on cash and cash equivalents	132	394
Cash at beginning of the period	3,089	11,127
Cash at end of the period	**-**	**3,089**

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

Eagle Energy Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 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 consolidated financial statements, Eagle and its subsidiaries are referred to collectively as the "Company" or "Eagle" for purposes of convenience.

Eagle's address is: Suite 2710, 500 - 4 Avenue SW, Calgary, AB T2P 2V6.

2.1. Basis of Preparation

The foreign exchange rate used to convert the US subsidiary to Canadian dollars at December 31, 2016 was $US 1.00 equal to $CA 1.34 (December 31, 2015 - $US 1.00 equal to $CA 1.38), and the average foreign exchange rate for the year ended December 31, 2016 was $US 1.00 equal to $CA 1.32 (for the year ended December 31, 2015 - $US 1.00 equal to $CA 1.28).

Basis of Accounting

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors made on March 16, 2017.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in note 3 "Critical Accounting Estimates and Judgments". Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute Management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions. This could affect future financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Eagle and its subsidiaries up to the balance sheet date. Subsidiaries are all entities over which Eagle has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred and continue to be consolidated until the date that control ceases. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

A list of the subsidiaries has been included in note 5 “Subsidiaries and Consolidated Entities”.

2.2. Changes in Accounting Policy and Disclosures

Due to the conversion of the Trust into a corporate structure on January 27, 2016, the following changes in accounting policy were adopted.

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.

2.3. Accounting Pronouncements not yet Adopted

The standards and interpretations that are issued, but not effective up to the date of issuance of Eagle's consolidated financial statements, and that may have an impact on the disclosures and financial position of Eagle, are disclosed below. Eagle intends to adopt these standards and interpretations, if applicable, when they become effective.

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. Eagle is currently assessing the impact of this standard.

Financial Instruments

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 after January 1, 2018, with earlier application permitted. Eagle is current 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. For lessees, IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases except for short-term leases where the term is twelve months or less and for leases of low value items. For lessors, the accounting treatment 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 only being permitted for companies that also apply IFRS 15. The adoption of this standard could impact Eagle in the event that it has, or enters into leases which would currently be classified as operating leases. Eagle is currently assessing the impact of this standard.

2.4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Eagle and its subsidiaries.

Business Combinations

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The consideration transferred in a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred in a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. Any non-controlling interest or equity interest held which becomes a component of an acquisition is included in the computation of goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the fair value of the net assets is reassessed. Provided the cost remains less than the fair value of the net assets acquired, after reassessment, the difference is recognized in the income statement.

Joint Arrangements

Many of Eagle's oil and natural gas activities involve interests in joint arrangements. Joint arrangements are categorized as either joint operations or joint ventures depending on the rights and obligations of the parties in the arrangement. Joint operations arise when Eagle has rights to the assets and obligations for the liabilities of the arrangement. The consolidated financial statements include Eagle's share of assets, liabilities, revenues and related costs of the joint operation. Joint ventures arise when Eagle has rights to net assets of the arrangement. Joint ventures are accounted for under the equity method.

Foreign Currency Translation

Items included in the financial statements of each of Eagle's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in "Canadian dollars" ("**$CA**"), which is the functional and presentation currency of Eagle.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on equities and similar non-monetary items measured at fair value are recognized in profit or loss, except for differences on available-for-sale non-monetary financial assets such as equity shares, which are included in the fair value reserve in equity unless the asset is a hedged item in a fair value hedge.

The results and financial position of all Eagle entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(c) all items included in the statement of changes in equity, other than net profit or loss, for the year, are translated at historical exchange rates; and

(d) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold and control is lost, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Where a subsidiary that is a foreign operation repays or partially repays an equity-like loan or returns or partially returns share capital but there is no change in the parent's proportionate percentage of ownership interest, Eagle's chosen accounting policy is that "ownership interest" refers only to the proportionate interest that the parent continues to own. Since the parent would continue to own the same percentage of the subsidiary and continue to control the foreign operation, no change in the parent's proportionate percentage of ownership interest would result and no disposal or partial disposal of ownership interest would occur that would have to be reclassified from the Cumulative Translation Adjustment (CTA) account into income. The loan is denominated in Canadian dollars and held by Eagle's US subsidiary. Interest is paid monthly.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Financial Instruments

Financial assets and financial liabilities are recognized in the balance sheet when Eagle becomes a party to the contractual provisions of the instrument. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the applicable discount rate for the estimated future cash receipts or payments over the expected life of the financial asset or liability.

A. Non-Derivative Financial Instruments

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if Eagle manages such investments and makes purchase and sale decisions based on their fair value in accordance with Eagle's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

(a) Financial Assets

Financial assets consist predominantly of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and Receivables

Eagle's loans and receivables comprise cash and trade and other receivables.

Cash is comprised of cash on hand.

Trade and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Loans and receivables are carried at their amortized cost using the effective interest rate method, net of any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

(b) Impairment of Financial Assets

Financial assets are assessed for impairment at each balance sheet date. Financial assets are considered impaired when there is objective evidence that the estimated future cash flows of the asset have been negatively impacted. For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

In the event of impairment, the carrying amount of the financial asset is reduced by the impairment loss, except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account, and the amount of the loss is recognized in the income statement. Subsequent recoveries of amounts previously written off are credited against the income statement.

(c) Financial Liabilities and Equity

Financial liabilities and equity instruments are classified in accordance with IAS 32 *Financial Instruments: Presentation*.

(i) Trade payables and dividends payable

Trade payables and dividends payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest income is recognized by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

(ii) Borrowings

Borrowings are recognized initially at fair value net of debt issuance costs in the form of cash payments. Borrowings are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized over the term of the borrowings using the effective interest rate method and charged to the income statement as finance costs.

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. To the extent that Eagle borrows funds generally and uses them for the purpose of obtaining a qualifying asset, Eagle determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of Eagle that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that Eagle capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. For funds borrowed specifically to obtain a qualifying asset, the borrowing costs eligible for capitalization are the actual borrowing costs incurred during the period less any investment income earned from the temporary investment of the borrowed funds.

All other borrowing costs are recognized in profit or loss using the effective interest method.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference between the carrying amounts of the original liability and the fair value of the new liability is recognized in the income statement.

Borrowings are classified as current liabilities unless Eagle has an unconditional right and the intent to defer settlement of the liability for at least 12 months after the balance sheet date.

(iii) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of Eagle after deducting all of its liabilities. Equity instruments of Eagle are recorded at the proceeds received, net of incremental costs directly attributable to the issue of new Eagle shares or options, which are shown as a deduction, net of tax, from the proceeds. Eagle shares are classified as equity.

B. Derivative Financial Instruments

Eagle enters into certain financial derivative contracts periodically in order to manage its exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. Eagle does not designate its financial derivative contracts as effective accounting hedges and thus does not apply hedge accounting (even though Eagle considers all commodity contracts to be economic hedges). As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the balance sheet at fair value. Related transaction costs are recognized in profit or loss when incurred.

Eagle may enter into forward physical delivery sales contracts. The policy is to account for these forward physical delivery sales contracts, which are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements, as executory contracts. As such, these contracts are not considered to be derivative financial instruments and will not be recorded at fair value on the balance sheet. Settlements on these physical sales contracts would be recognized in revenue.

Embedded derivatives are separated from the host contract and accounted for separately if: (i) the economic characteristics and risks of the host contract and the embedded derivative are not closely related; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(a) Fair Value Hierarchy

To estimate fair value of derivatives, Eagle uses quoted market prices when available, or third-party models and valuation methodologies that utilize observable market data. In addition to market information, Eagle incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. However, these fair value estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction. Eagle characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities. *Active markets* are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices that are observable, either directly or indirectly, as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the marketplace.

Level 3 – inputs that are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. In forming estimates, Eagle utilizes the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the measurement is categorized based upon the lowest level of input that is significant to the fair value measurement.

Non-Current Assets held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Oil and gas properties, property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

Exploration and Evaluation Expenditures

In line with IFRS 6, pre-license costs, defined as those costs incurred before the legal right to explore has been acquired, are expensed in the period in which they are incurred. Exploration and evaluation costs of a type that are not sufficiently closely related to a specific resource to support capitalization are also expensed in the period in which they are incurred.

Exploration and evaluation costs associated with oil and gas exploration and investments are capitalized on a project by project basis (well, field or specific exploration licenses, as appropriate), pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical (geological and geophysical work , or "G & G"), license acquisition and directly attributable operational overhead. Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

The recoverability of all exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition thereof. When proved plus probable reserves are assigned, the accumulated costs for the relevant area are tested for impairment and transferred from exploration and evaluation assets to oil and gas properties and further classified as either developed oil and gas assets or production facilities and equipment (tangible fixed assets), as appropriate.

Oil and Gas Properties

The drilling of development wells (including unsuccessful development or delineation wells) as well as expenditures on the construction, installation or completion of infrastructure facilities such as pipelines are capitalized within oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Within oil and gas properties, developed oil and gas assets and production facilities and equipment (tangible fixed assets) are stated at cost less accumulated depletion, depreciation and amortization along with accumulated impairment losses net of any impairment recoveries. When

significant parts of an item of oil and gas properties have different useful lives, they are accounted for as separate items (componentized) and depreciated at that level.

Depreciation, Depletion and Amortization

Exploration and evaluation assets are not subject to depreciation, depletion and amortization. Once transferred to oil and gas properties and commercial production commences, these costs are depleted on a unit-of-production basis over proved plus probable developed reserves.

Costs are amortized only once commercial reserves associated with a development project can be determined and commercial production has commenced.

The unit-of-production rate is calculated by reference to the ratio of production volumes during the period to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

Changes in factors such as estimates of proven and probable commercial reserves that affect unit-of-production calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

Impairment - Exploration and Evaluation Expenditures

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability; or

(ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Sufficient data is considered to exist in order to determine the technical feasibility and commercial viability of extracting a resource when proved plus probable reserves are assigned. A review for indicators of impairment on a project by project basis (well, field or specific exploration licenses, as appropriate) is carried out quarterly to ascertain whether proved plus probable reserves have been assigned. If proved plus probable reserves have been assigned, exploration and evaluation assets attributable to those reserves are first tested for impairment (and any resulting impairment loss is recognized) and then reclassified from exploration and evaluation assets to oil and gas properties and amortized over the estimated life of the proven and probable reserves on a unit-of-production basis.

Exploration and evaluation costs for which technical feasibility has not yet been determined through the assignment of proved plus probable reserves are subject to technical, commercial and management review for indicators of impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this intent no longer exists, such facts and circumstances might indicate that the carrying amount exceeds the recoverable amount. If this is the case, the costs are expensed. Costs associated with an exploratory dry hole are expensed immediately if commercially viable quantities of hydrocarbons are not found. Where a license is relinquished or project abandoned, the related costs are expensed. Where Eagle maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalized costs will be provided.

For purposes of impairment testing, exploration and evaluation assets are excluded from the carrying amount of any oil and gas properties.

Impairment – Oil and Gas Properties

Oil and gas properties (which are further classified as either developed oil and gas assets or production facilities and equipment) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Prior impairments of oil & gas properties are reviewed for possible recovery at each reporting date. Oil and gas properties are grouped into CGUs for impairment testing. At this time, Eagle has grouped its oil and gas properties into five CGUs: the Salt Flat properties; the Hardeman properties; the Dixonville properties, the Twining properties and the NW Alberta properties. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to dispose. In determining fair value less costs to dispose, Eagle will consider recent transactions within the industry, long-term views of commodity prices, externally evaluated reserves volumes and discount rates specific to the CGU.

Decommissioning Provision

Provision is made for the present value of the future cost of abandonment (dismantling, decommissioning, and site disturbance remediation activities) of oil and gas wells and related facilities using an appropriate risk-free rate. This provision is recognized when the legal or constructive obligation to abandon arises. The estimated costs, based upon engineering cost levels prevailing at the balance sheet date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. The corresponding amount is capitalized as part of exploration and evaluation assets or oil and gas properties and is amortized on a unit-of-production basis as part of the depreciation, depletion and amortization charge.

The increase in the provision due to the passage of time ("accretion") is treated as a component of finance costs.

Any adjustment to the provision arising from reassessment of the estimated cost of decommissioning are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss.

Other Assets

Other assets are composed of non-oil and gas assets and are stated in the balance sheet at cost, less accumulated depreciation and any provision for impairment.

The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Other assets are depreciated on a straight line basis at rates sufficient to write off the cost, less estimated residual values, of individual assets over their estimated useful lives, as follows:

Improvements to leasehold property	2-10 years (or over the remaining life of the lease if shorter)
Office furniture, fixtures and equipment	3 years
Computer equipment	2 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Revenue Recognition

Revenue is comprised of the fair value of the consideration received or receivable for the sale of hydrocarbons in the ordinary course of Eagle's activities. Intercompany sales are eliminated during consolidation. With respect to royalties, Eagle is acting as a collection agent on behalf of others.

Revenue is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to Eagle, and when specific criteria have been met as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Eagle bases its estimates on historical results, taking into consideration the type of customer, the type of transaction, the nature of the product and the specifics of each arrangement.

Revenues from the sale of crude oil and natural gas sales are recognized when the significant risks of loss and rewards of ownership have transferred i.e., when legal title passes to the third-party purchaser. This is generally at the time the product enters collection facilities or pipeline facilities. Eagle uses the entitlement method to account for revenue whereby revenue recognition is based upon Eagle's direct ownership interest in the underlying oil and gas properties.

Costs associated with the sale of crude oil, natural gas liquids and natural gas such as taxes and field operating expenses are reflected individually.

Share-based Compensation

Eagle's share-based compensation program consists of: (i) a 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) Long-term equity compensation incentive plan:* Under this equity-settled plan, Eagle has issued time-based restricted share units ("**RSUs**") and performance-based performance share units ("**PSUs**") to directors officers and employees of Eagle. 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, Eagle issued restricted unit rights ("**RURs**") to directors, officers and employees of Eagle. 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. Eagle does not intend to issue further RURs under this plan.

Eagle 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 Eagle. 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.

Finance Income and Expense

Finance expense is comprised of interest expense on borrowings, amortization of deferred financing costs, bank fees, and accretion of the discount on the decommissioning provision.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Shareholder Dividends

Shareholder dividends, if any, are declared and paid monthly. Shareholders' equity is reduced by the amount of the declared dividend at the record date.

Taxation

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect of any change in income tax rates is recognized in the current period income. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Eagle Share Calculations

Eagle uses the treasury stock method to determine the dilutive effect of Eagle's equity-settled compensation incentive plan. Under the treasury stock method, outstanding and exercisable instruments that will have a dilutive effect are included in per-share diluted calculations, ordered from most dilutive to least dilutive.

The dilutive effect of convertible obligations or instruments is determined using the "if-converted" method, whereby the outstanding convertibles at the end of the period are assumed to have been converted at the beginning of the period or at the time of issue if issued during the period. Amounts charged to income or loss which relate to the outstanding convertibles are added back to net income for the diluted calculation. The share issued upon conversion are included in the denominator of per-share basic calculations from the date of issue.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period by the weighted average number of Eagle shares outstanding during the period.

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of Eagle shares outstanding for dilutive shares related to Eagle's equity-settled compensation incentive plan. The number of shares included is computed using the treasury stock method. As the awards can be exchanged for shares of Eagle, they are considered potentially dilutive and are included in the calculation of Eagle's diluted net earnings (loss) per share if they have a dilutive impact in the period.

Business Combinations

For each business combination undertaken, Eagle identifies which of the combining entities should be identified as the acquirer. In certain cases, the legal acquirer will be identified as the acquirer for accounting purposes. In determining the acquirer for accounting purposes, we consider factors such as the relative voting rights in the combined entity after the business combination, the composition of the governing body of the combined entity, the composition of the senior management of the combined entity along with other relevant factors.

3. Critical Accounting Estimates and Judgments

Eagle makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of Oil and Natural Gas Reserves

Oil and natural gas reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as fair value less costs to dispose of property, plant and equipment for the impairment calculation, depletion, and decommissioning provisions) that are based on reserves are also subject to change.

Capitalized Exploration and Evaluation Expenditures

In making decisions about whether to continue to capitalize exploration and evaluation expenditures, it is necessary to make judgments about the commercial reserves and the level of activities that constitute on-going evaluation determination. If there is a change in any judgment in a subsequent period, then the related capitalized exploration and evaluation expenditure would be expensed in that period, resulting in a charge to income.

Business Combinations

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The consideration transferred in a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred in a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. Any non-controlling interest or equity interest held which becomes a component of an acquisition is included in the computation of goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the fair value of the net assets is reassessed. Provided the cost remains less than the fair value of the net assets acquired after reassessment, the difference is recognized in the income statement.

Decommissioning Provision

Estimates of the amounts of provision for decommissioning recognized are based on current legal and constructive requirements, technology and price levels. As actual outflows may be different from estimates due to changes in laws, regulations, technology, prices, and conditions, and can take place in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. Eagle has interpreted the accounting standard to use the risk-free discount rate for calculating the present value of the decommissioning obligation.

Impairment and Recovery of Oil and Gas Assets

The recoverable amounts of CGU's and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to dispose. These calculations require the use of estimates and assumptions. It is reasonably possible that the commodity price assumption may change, which may impact the estimated life of the asset and may require a material adjustment to the carrying value of assets. Eagle monitors recent transactions within the industry, long-term views of commodity prices, externally evaluated reserves volumes and discount rates specific to the CGU.

Income Taxes

Eagle recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires Eagle to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of Eagle to realize the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdiction in which Eagle operates could limit the ability of Eagle to obtain tax deductions in future periods.

Derivative Financial Instruments

As described in note 4 *Financial Risk Management and Financial Instruments*, derivative financial instruments are used by Eagle to manage its exposure to market risks relating to commodity prices. Eagle's policy is not to use derivative financial instruments for speculative purposes. Derivative financial instruments that do not qualify, or are not designated, as hedges for accounting are recorded at fair value. Instruments are recorded in the balance sheet as either an asset or a liability with changes in fair value recognized in the income statement. The estimate of fair value of all derivative instruments is based on quoted market prices, or in their absence, third-party market indications and forecasts. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

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 PSUs 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:

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

This note presents information about Eagle's exposure to each of the above risks, Eagle's objectives, policies and processes for measuring and managing risk, and Eagle's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Eagle finances its operations through a combination of cash, loans from banks (lines of credit) or other lenders and Eagle share equity. Finance requirements such as equity, debt and project finance are reviewed by the Board when funds are required for acquisition, exploration and development projects.

Eagle's treasury management function is responsible for managing funding requirements and investments which include banking and cash flow management. Interest and foreign exchange exposure are key functions of treasury management to ensure adequate liquidity at all times to meet cash requirements.

The principal financial instruments of Eagle are cash held in banks, trade receivables, trade payables, dividends payable, debt, and risk management contracts. These instruments are for the purpose of meeting its requirements for operations.

Credit Risk

Credit risk is the risk of financial loss to Eagle if a customer, joint venture partner or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from Eagle's receivables from its product marketers and joint venture partners. Eagle limits its exposure in this regard, by investing only in liquid securities, by taking its products in kind from joint venture partners when practical, by cash-calling joint venture partners or having them post adequate security when undertaking their share of significant capital or operating expenditures and by transacting with marketing counterparties that have an established credit rating or who have posted adequate security.

At December 31, 2016, the maximum exposure to credit risk was as follows:

$000's	**December 31, 2016**	December 31, 2015
Cash	-	3,089
Trade and other receivables	8,035	5,207
Risk management asset	-	9,162
	8,035	**17,458**

Cash

Eagle's credit facility is a revolving line that funds cash accounts as needed.

Trade and other Receivables

Eagle's operations are conducted in Canada and the United States. Exposure to credit risk is primarily influenced by the individual characteristics of each customer.

Receivables from Eagle's product marketers are normally collected in the month following production. Eagle's policy to mitigate credit risk associated with these balances is to establish marketing relationships with reputable purchasers with good credit. Eagle historically has not experienced collection issues with its marketers. If required, Eagle obtain collateral from its marketers.

Joint venture receivables are with customers in the oil and gas industry and are subject to normal industry credit risks. Eagle attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. In certain circumstances, Eagle may request an operating advance, cash call a partner in advance of capital expenditures being incurred, or revoke a non-operating working interest owners take-in-kind rights pursuant to joint operating agreement provisions. With respect to receivables related to non-operated properties, Eagle endeavours to take its revenue in kind and provisions in the joint operating agreement allow Eagle to assume operatorship in certain circumstances.

Eagle has not had any losses from non-performance by these customers. As such, no provision for doubtful accounts has been recorded at December 31, 2016 and December 31, 2015.

The maximum exposure to credit risk for loans and receivables at the reporting dates by type of customer was:

$000's	**December 31, 2016**	December 31, 2015
Oil and natural gas marketing companies	4,672	4,053
Receivable from joint venture working interest owners	3,305	1,078
Other	58	76
	8,035	**5,207**

Eagle's most significant customers are two U.S. oil marketers and one Canadian oil marketer and together they account for 58%, or $4.7 million, of trade and other receivables at December 31, 2016 and 78%, or $4.0 million, at December 31, 2015. Additionally, 41% of trade and other receivables, or $3.3 million, represent amounts due from joint venture working interest partners at December 31, 2016 and 21%, or $1.1 million, at December 31, 2015. As of December 31, 2016 and December 31, 2015, substantially all receivables were considered current (less than 90 days old) and none were considered uncollectable.

Risk Management Asset

Eagle enters into certain risk management contracts periodically to economically hedge a portion of its oil and natural gas sales and manage its foreign exchange exposure. The counterparties to these instruments are highly rated corporate, investment banking, and capital markets groups. At December 31, 2016 all risk management contracts were accounted for in the liability section of the balance sheet. See "Market Risk" and "Commodity Price Risk" for further discussion regarding these risk management contracts.

Liquidity Risk

On March 13, 2017 Eagle retired all amounts drawn under its $CA 70 million authorized bank credit facility that was held with a syndicate of Canadian chartered banks and replaced it with a new four year secured term loan from White Oak Global Advisors LLC ("White Oak") that provides up to $CA 87 million (the current Canadian dollar equivalent of $US 65 million) of financing. Headquartered in San Francisco, White Oak is an SEC-registered investment adviser with assets under management of approximately $US 3 billion. See note 22 "Subsequent Event".

Liquidity risk is the risk that Eagle will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that Eagle will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Eagle's reputation.

At December 31, 2016, Eagle had a working capital surplus, excluding the risk management liability, of approximately $2.3 million and $8.8 million available under its $70.0 million authorized credit facility. To better manage its liquidity risk, Eagle prepares annual capital expenditure budgets which are regularly monitored and updated as considered necessary. Further, Eagle utilizes authorizations for expenditures ("**AFEs**") on both operated and non-operated projects to manage capital expenditures. Eagle attempts to match its payment cycle with the collection of its oil and natural gas revenue each month.

The semi-annual redetermination review of the credit facility was held on November 3, 2016 and Eagle's credit facility remained at $70 million. There were no changes to the pricing, covenants or conditions of the credit facility. The next semi-annual redetermination review of the credit facility will be finalized no later than May 27, 2017. In the event that a borrowing base redetermination results in a reduction of the authorized credit facility below the amount outstanding under the credit facility (such that a "borrowing base deficiency" exists) the credit facility instructs that Eagle must elect to take any one or a combination of the following actions: (1) Repay the borrowing base deficiency within 10 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 borrowing base deficiency within 30 days.

The following are the contractual undiscounted maturities of financial liabilities, including estimated interest payments, as applicable, at December 31, 2016:

$000's	Carrying amount	Contractual cash flows	Less than one year	One - two years	Two - five years	More than five years
Trade and other payables	6,803	6,803	6,803	-	-	-
Risk management liability	6,498	6,498	6,498			
Dividends payable	212	212	212	-	-	-
Debt	61,245	61,245	61,245	-	-	-
Interest	-	1,286	1,286	-	-	-
	74,758	**76,044**	**76,044**	**-**	**-**	**-**

The following were the contractual undiscounted maturities of financial liabilities, including estimated interest payments, as applicable, at December 31, 2015:

$000's	Carrying amount	Contractual cash flows	Less than one year	One - two years	Two - five years	More than five years
Trade and other payables	8,647	8,647	8,647	-	-	-
Distributions payable	523	523	523	-	-	-
Debt	65,618	65,618	-	65,618	-	-
Interest	-	2,053	-	2,053	-	-
	74,788	**76,841**	**9,170**	**67,671**	**-**	**-**

Contractual cashflows at December 31, 2015 exclude the current portion of share-based compensation of $227,000.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect Eagle's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Eagle may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by many factors including world economic events that dictate the levels of supply and demand and the relationship between the Canadian and United States dollar.

Eagle enters into certain financial derivative instruments periodically to economically hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. Eagle does not apply hedge accounting for these contracts. Eagle's production is either sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price or by way of fixed term, fixed price marketing contracts.

Summary of Unrealized Risk Management Positions

As at December 31, 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)	375	bbls/d	Jan-17	Dec-17	45.10	45.10	(2,055)	-
NYMEX (i)	375	bbls/d	Jan-17	Dec-17	44.75	44.75	(2,119)	-
NYMEX (i)	750	bbls/d	Jan-17	Dec-17	52.00	52.00	(1,600)	-
NYMEX (i)	500	bbls/d	Jan-17	Dec-17	53.40	53.40	(724)	-
Commodity - unrealized risk management liability							**(6,498)**	**-**

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

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	-
Commodity - 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.

At December 31, 2016, Eagle had committed to the future sale of 730,000 barrels of oil at an average price of $US 49.70 WTI per barrel.

The net fair value of Eagle's unrealized risk management positions at December 31, 2016 is a liability of $6.5 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.

A 10% increase (decrease) in the forward market price of crude oil used to calculate the unrealized risk management liability at December 31, 2016 would have increased (decreased) the liability by approximately $4.1 million based on the risk management instruments outstanding at December 31, 2016. A 10% increase (decrease) in the market price of crude oil from its 2015 year average of $US 48.80 WTI would have increased (decreased) income by approximately $1.4 million in 2015. This analysis assumes that all other variables remain constant.

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

	Year Ended December 31, 2016			Year Ended December 31, 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	**(6,067)**	**15,191**	**9,124**	(20,714)	7,962	(12,752)

Foreign Exchange Risk

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in market foreign exchange rates. There is an element of foreign exchange risk to Eagle. Eagle's treasury management function is responsible for managing funding requirements and investments, which include banking and cash flow management. Prices for oil are determined in global markets and generally denominated in US dollars. Generally, an increase in the value of the $CA as compared to the $US will reduce the Canadian dollar equivalent prices received by Eagle for its petroleum and natural gas sales in the U.S., but will also reduce the Canadian dollar equivalent operating expenses associated with those sales.

Determination of Fair Values

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.

The following financial instruments were denominated in U.S. dollars:

As of December 31, 2016 ($000's)	**US**	**CA**
Trade and other receivables	2,526	3,392
Trade and other payables	(2,370)	(3,182)
Risk management (liability)	(4,840)	(6,498)
	(4,684)	**(6,288)**

The average foreign exchange rate during the year ended December 31, 2016 was $US 1.00 equal to $CA 1.32, and the exchange rate at December 31, 2016 was $US 1.00 equal to $CA 1.34.

A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar from its 2016 year average of $CA 1.32 ($US 0.75) would have decreased (increased) income by approximately $2.2 million. This analysis assumes that all other variables remain constant.

As of December 31, 2015 ($000's)	**US**	**CA**
Cash	1,233	1,706
Trade and other receivables	3,023	4,184
Trade and other payables	(3,908)	(5,409)
Risk management asset	6,455	18,934
	6,803	**9,415**

The average foreign exchange rate during the year ended December 31, 2015 was $US 1.00 equal to $CA 1.28, and the exchange rate at December 31, 2015 was $US 1.00 equal to $CA 1.38.

A 10% strengthening (weakening) of the Canadian dollar against the US dollar from its 2015 year average of $CA 1.28 ($US 0.78) would have decreased (increased) income by approximately $`1.6 million. This analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Eagle may be exposed to interest rate risk at both fixed and variable rates as it borrows funds. As at December 31, 2016, $CA 61.2 million had been drawn against the revolving $CA 70 million credit facility. Borrowings are by way of Banker's Acceptance (BAs) or prime advances. The carrying value of Eagle's debt outstanding on its revolving credit facility approximates its fair value and is consistent with a Level 2 valuation. See note 17 "Debt". At December 31, 2016 and December 31, 2015, there were no covenant violations to the loan agreement.

A 1% increase (decrease) in the interest rate would have decreased (increased) income by approximately $0.6 million based on an average outstanding total debt balance of $64.9 million for the period ended December 31, 2016.

Capital Management

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 considers its capital structure to include working capital, loans and borrowing, and shareholders' equity. In order to maintain or adjust the capital structure, Eagle may issue share, engage in external debt financing, and adjust its capital spending, cost structure and dividend levels to manage current and projected debt levels. Eagle monitors capital based on both the ratio of external debt to cash generated from operations as well as unused credit capacity. The ratio is calculated as external debt, defined as outstanding loans and borrowings, plus or minus working capital deficit or surplus divided by funds flow from operations. Eagle prepares annual capital expenditure budgets which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

As at December 31, 2016, Eagle's ratio of external debt to funds flow from operations was within Eagle's acceptable range and Eagle had unused credit capacity on its revolving credit facility.

There were no changes in Eagle's approach to capital management during the period.

Draws against the existing credit facility are subject to established covenants. The credit facilities are subject to a semi-annual review of the borrowing base which is directly impacted by the value of the oil and natural gas reserves. See note 17 "Debt".

5. Subsidiaries and Consolidated Entities

Eagle has the following subsidiaries, each owned 100% directly or indirectly at December 31, 2016.

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

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 December 31, 2016, the Maple Leaf assets acquired have contributed revenues of $2.3 million and operating income of $1.6 million. Had the acquisition closed on January 1, 2016, estimated contributed revenues would have been $2.5 million and estimated contributed operating income would have been $1.7 million to December 31, 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

On August 20, 2015, Eagle closed the acquisition of a private company by acquiring all of the issued and outstanding common shares of the private company for cash consideration of $0.06 per share and assumption of the acquired company's net debt. This acquisition has been accounted for as a business combination under IFRS 3, using a credit adjusted risk free rate of 10% to calculate the fair value of the decommissioning liability.

Net assets acquired ($000's)	
Oil and gas assets	30,524
Decommissioning liability	(3,187)
Working capital	(4,951)
Bank debt	(17,855)
Net asset value	4,531
Cash	4,531
Consideration paid	4,531

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.

Using the segmented information, Eagle's management reviews the financial performance of each segment by assessing the funds flow from operations and other key performance indicators.

Details of Eagle's reportable segments are as follows:

	Year Ended December 31, 2016			
$000's	Canada	United States	Corporate	Total
Capital expenditures	**6,088**	**4,827**	**47**	**10,962**
Working interest sales and royalty income	25,096	38,208	-	**63,304**
Royalties	(3,431)	(10,880)	-	**(14,311)**
Revenue net of royalties	21,665	27,328	-	**48,993**
Operating expenses	(11,656)	(11,882)	-	**(23,538)**
Transportation and marketing expenses	(1,943)	(75)	-	**(2,018)**
Administrative expenses - cash portion	-	-	(10,882)	**(10,882)**
Cash settled award payments	-	-	(62)	**(62)**
Risk management gain - realized	-	-	6,067	**6,067**
Finance expense - cash portion	-	-	(2,665)	**(2,665)**
Amortization of leasehold inducement	-	-	(17)	**(17)**
Income tax expense	-	-	(75)	**(75)**
Realized foreign exchange loss	-	-	(5)	**(5)**
Funds flow from operations	**8,066**	**15,371**	**(7,639)**	**15,798**

In the United States segment, revenue for 2016 was received primarily from three customers, Texican Crude Hydrocarbons LLC, Sunoco Logistics Partners L.P. and Plains Marketing L.P., with revenue received amounting to $18.0 million (47%), $5.3 million (14%) and $4.3 million (11%), respectively. In the Canadian segment, revenue for the year was received primarily from Trafigura Canada General Partnership in the amount of $19.5 million (78%).

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

	Year Ended December 31, 2016			
$000's	Canada	United States	Corporate	Total
Funds flow from operations	**8,066**	**15,371**	**(7,639)**	**15,798**
Administrative expense - non-cash portion			325	**325**
Share-based compensation - non-cash portion			326	**326**
Risk management loss - unrealized			15,191	**15,191**
Depreciation, depletion and amortization	6,379	14,529	-	**20,908**
Impairment (recovery)	(1,000)	(33,120)	-	**(34,120)**
Amortization of leasehold inducement			(17)	**(17)**
Foreign exchange gain on intercompany loan			2,397	**2,397**
Finance expense - non-cash portion			1,229	**1,229**
Earnings (loss)	**2,687**	**33,962**	**(27,090)**	**9,559**

Total assets of Eagle's reportable segments at December 31, 2016 were as follows:

	At December 31, 2016			
$000's	Canada	United States	Corporate	Total
Total Assets	**102,159**	**116,040**	**-**	**218,199**

Details of Eagle's reportable segments for the year ended December 31, 2015 are as follows:

	Year Ended December 31, 2015			
$000's	Canada	United States	Corporate	Total
Capital expenditures	**31,112**	**14,053**	**-**	**45,165**
Working interest sales and royalty income	21,052	42,260	-	**63,312**
Royalties	(3,136)	(12,055)	-	**(15,191)**
Revenue net of royalties	17,916	30,205	-	**48,121**
Operating expenses	(9,150)	(12,958)	-	**(22,108)**
Transportation and marketing expenses	(2,243)	(111)	-	**(2,354)**
Administrative expenses - cash portion	(3,376)	(6,305)	(1,518)	**(11,199)**
Cash settled award payments	-	-	(207)	**(207)**
Risk management gain - realized	-	-	20,714	**20,714**
Finance expense - cash portion	-	-	(2,045)	**(2,045)**
Income tax recovery	-	46	-	**46**
Realized foreign exchange loss	-	-	(230)	**(230)**
Funds flow from operations	**3,147**	**10,877**	**16,714**	**30,738**

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

	Year Ended December 31, 2015			
$000's	Canada	United States	Corporate	Total
Funds flow from operations	**3,096**	**10,877**	**16,764**	**30,738**
Share-based compensation - non-cash portion	-	-	(1,089)	**(1,089)**
Risk management loss - unrealized	-	-	7,962	**7,962**
Depreciation, depletion and amortization	6,067	20,329	-	**26,396**
Impairment	47,487	39,768	-	**87,255**
Foreign exchange gain on intercompany loan	-	-	(14,668)	**(14,668)**
Finance expense - non-cash portion	-	-	928	**928**
Earnings (loss)	**(50,458)**	**(49,220)**	**23,632**	**(76,046)**

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

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	**Year Ended December 31, 2016**	Year Ended December 31, 2015
RSUs and PSUs	8(a)	552	-
Share Options	8(b)	(183)	(750)
RURs	8(c)	57	174
URs	8(d)	(38)	(306)
Total share-based compensation expense (recovery)		**388**	(882)

The following table reconciles the share-based payments liability:

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

The following table shows the continuity of contributed surplus:

	December 31, 2016	December 31, 2015
Balance, beginning of period	-	-
Share-based compensation	552	-
RSU / PSU settlement	-	-
Balance, end of period	**552**	-

Note 8(a)

2016 Equity Incentive Plan

Following the Arrangement, Eagle implemented 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 December 31, 2016, there were 1,836,579 RSUs and 721,031 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 twelve months ended December 31, 2016.

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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Balance, beginning of period	-	-
Issued	1,834,750	-
Dividend equivalent rights	100,135	-
Forfeited	(98,306)	-
Balance, end of period	1,836,579	-
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 (December 31, 2016) is $0.78 per PSU.

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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Balance, beginning of period	-	-
Issued	733,250	-
Dividend equivalent rights	41,102	-
Forfeited	(53,321)	-
Balance, end of period	721,031	-
Number of PSUs vested	-	-

Note 8(b)

2010 Option Plan

Pursuant to the Arrangement, the unit option plan of Eagle 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 entitle such optionholder, without any further action on the part of an 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:

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	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
Cancelled	(3,159,418)	5.48	(272,332)	6.28
Exercised	-	-	-	-
Granted	-	-	-	-
Outstanding at end of period	**-**	**-**	3,159,418	5.54
Exercisable at end of period	**-**	**-**	2,601,427	5.62

The fair value of the options was estimated at nil at the end of the first quarter of 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 second quarter of 2016 to reflect the voluntary cancellation. The fair value of the options for the comparative period of December 31, 2015 was $0.07 per option.

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 year ended December 31, 2016, $62,496 has been paid to the RUR holders (year ended December 31, 2015 - $227,685).

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

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

The December 31, 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 $0.77 per share as compared to $1.13 per share at December 31, 2015). Based on these assumptions, the fair value at the December 31, 2016 balance sheet was nil per RUR (December 31, 2015 - $0.01 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 year ended December 31, 2016, $nil has been paid to the UR holders (year ended December 31, 2015 - $nil).

The following schedule shows the continuity of cash settled URs:

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

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

9. Foreign Exchange

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

$000's	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Net loss arising on settlement of foreign currency transactions arising out of operating activities	5	230
Foreign exchange loss (gain) on intercompany loan	2,397	(14,668)
Foreign exchange loss (gain) net	**2,402**	(14,438)

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	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Beginning balance	35,615	29,494
Foreign currency translation gain (loss)	(243)	6,121
Ending balance	**35,372**	35,615

10. Finance Expense

$000's	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Interest expense on debt	2,487	1,729
Standby and bank fees	178	316
Accretion of decommissioning provision	458	399
Amortization of deferred financing costs	771	529
Finance expense	**3,894**	2,973

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	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Earnings (loss) before taxes	9,634	(76,092)
Expected tax rate (%)	27	26
Expected income tax provision	2,601	(19,784)
Decrease (Increase) resulting from:		
Non-deductible items – permanent differences:		
Administrative expenses of Eagle	83	390
Share-based compensation	105	(175)
Foreign exchange loss (gain), net	2,295	(9,936)
Foreign tax rate differentials	890	(4,208)
Change in statutory rate[1]	-	(542)
Non-taxable portion of capital gain	(5,164)	-
Changes in temporary differences for which no amounts are recognized	(902)	36,543
Return to provision true up	(87)	-
Items deductible at the subsidiary level:		
Interest on internal debt of subsidiary	-	(2,392)
Other	254	58
Total income tax expense (recovery)[1]	**75**	(46)

Notes:

(1) 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	Year Ended December 31, 2016	Year Ended December 31, 2015
Deferred tax assets - capital assets:		
United States	(1,620)	8,830
Canada	13,995	16,210
	12,375	25,040
Deferred tax assets - non-capital losses:		
United States	47,412	42,447
Canada	18,095	16,298
	65,507	58,745
Deferred tax asset - capital loss:		
Canada	5,164	-
Deferred tax asset	83,046	83,785
Unrecognized deferred tax asset	(83,046)	(83,785)
Net deferred tax asset	-	-

Movement in Temporary Differences during the Year:

$000's	Statement of Earnings		Balance Sheet	
For the year ended December 31,	**2016**	2015	**2016**	2015
Oil and gas properties	12,665	(28,462)	12,375	(25,040)
Deferred tax on acquisition	163	18,448	-	-
Capital tax losses	(5,164)	-	5,164	-
Non-capital tax losses	(6,762)	(26,529)	65,507	(58,745)
	902	(36,543)	**83,046**	(83,785)

The U.S. and Canadian non-capital 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. The Canadian capital losses can be carried back three years and forward indefinitely.

12. Depreciation, Depletion and Impairment

Depreciation, depletion and impairment are included with the following headings in the income statement:

	Year Ended December 31, 2016		
$000's	Oil and gas properties	Property, plant and equipment	Total
Depreciation, depletion and amortization	20,804	104	20,908
Impairment expense (recovery)	(34,120)	-	(34,120)
	(13,316)	**104**	**(13,212)**

$000's	Year Ended December 31, 2015 Oil and gas properties	Property, plant and equipment	Total
Depreciation, depletion and amortization	26,221	175	26,396
Impairment	87,255	-	87,255
	113,476	175	113,651

Impairment of Oil and Gas Properties

For the year ended December 31, 2016, Eagle recognized a $7.0 million impairment on its oil and gas properties in relation to the Dixonville CGU and a $41.1 million impairment recovery for the Salt Flat, Hardeman and Twining CGUs. For the year ended December 31, 2015, Eagle recognized a $87.3 million impairment on its oil and gas properties in the Salt Flat, Hardeman, Dixonville and Twining CGUs. The 2016 impairment in Dixonville was primarily the result of lower pricing and production throughout the year. The 2016 impairment recovery in Salt Flat was due to better than anticipated production from the wells drilled in 2016. In Hardeman and Twining the 2016 impairment recoveries were due to additional future locations being added.

13. Employees and Key Management

The aggregate remuneration of employees and executive management was as follows:

$000's	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Salaries and wages	7,150	7,493
Benefits and other personnel costs	1,459	1,331
Share-based payments (i)	552	(825)
Total employee and executive remuneration	**9,161**	7,999

(i) Represents amounts expensed in relation to the 2016 Equity Incentive Plan. See note 8 "Share-based payments".

Key management personnel include the Chief Executive Officer, Chief Financial Officer, President and Chief Operating Officer, the Executive Vice-President, the General Counsel/Corporate Secretary and the external Directors. The aggregate remuneration of key management personnel was as follows:

$000's	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Directors' fees	184	236
Salaries and wages	1,879	3,213
Benefits and other personnel costs	187	266
Share-based payments (i)	358	(680)
Total key management personnel remuneration	**2,608**	3,035

(i) Represents amounts expensed in relation to the 2016 Equity Incentive Plan. See note 8 "Share-based payments".

No personnel expenses have been capitalized or included in property, plant and equipment or intangible exploration assets.

Key management personnel are entitled to certain amounts and benefits payable in the event of termination of their employment without cause, and in the event of a change of control, as outlined in their respective employment agreements.

In the event of termination without just cause, the following severance payments will be payable to the executive officers: 24 months' salary and monthly premium contributions in the case of the Chief Executive Officer; 18 months' salary and monthly premium contributions in the case of the Chief Financial Officer and President and Chief Operating Officer; and 12 months' salary and monthly premium contributions in the case of the Executive Vice President, Business Development and General Counsel/Corporate Secretary. In addition, a pro-rata portion of the

annual discretionary bonus that the executive received in the last calendar year prior to the calendar year in which his or her employment was terminated is payable.

In the event of a change of control as defined in each executive officer's employment agreement and the occurrence of other criteria as set out in each executive officer's employment agreement, the executive officers are entitled to the above severance payments.

14. Earnings (Loss) per Share

	Year Ended December 31, 2016	Year Ended December 31, 2015
Earnings (loss) attributable to shareholders – basic and diluted ($000's)	9,559	(76,046)
Weighted average number of shares outstanding – basic and diluted (000's)	41,892	34,691
Earnings (loss) per share basic and diluted	**0.23**	(2.18)

Calculation

Basic income per unit for the year ended December 31, 2016 is calculated by dividing the income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted income per share is calculated using the income for the period divided by the weighted average number of shares outstanding adjusted for the effects of all potentially dilutive shares.

15. 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	(31)
Balance at December 31, 2016	**1,007**

During 2016, $0.5 million (2015 - $1.0 million) was incurred to evaluate seismic on lands which Eagle holds a right to explore to assess the potential to add value and reserves.

At December 31, 2016, Eagle expensed $nil (December 31, 2015 - $nil) of exploration and evaluation assets related to projects that were not commercially viable and for which Eagle did not receive an assignment of economical recoverable reserves.

16. 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	5,748
Decommissioning obligation additions and change in estimates	(1,219)
Acquisitions	5,144
Effects of foreign exchange	(9,868)
Balance at December 31, 2016	**484,347**
Depletion, depreciation and impairment:	
Balance at December 31, 2014	(150,283)
Depletion and depreciation	(27,918)
Impairment	(90,476)
Effects of foreign exchange	(29,006)
Balance at December 31, 2015	(297,683)
Depletion and depreciation	(20,898)
Impairment, net	34,567
Effects of foreign exchange	7,288
Balance at December 31, 2016	**(276,726)**
Net book value:	
At December 31, 2015	186,859
At December 31, 2016	**207,621**

Eagle does not capitalize general and administrative costs. Future development costs related to proved plus probable reserves of $65.1 million (December 31, 2015 - $40.3 million) were included in the depletion calculation.

2016 "Acquisitions" refer to the Maple Leaf acquisition. See note 6 "Business Combinations".

Impairment Provision

Eagle recognized both an impairment charge and impairment recoveries during 2016. See note 12 "Depreciation, Depletion, and Impairment".

The recoverable amount of the Salt Flat CGU was calculated as $59.6 million (2015 - $45.1 million), the Hardeman CGU as $49.5 million (2015 - $40.9 million), the Dixonville CGU as $58.9 million (2015 – $69.6 million) and the Twining CGU as $35.8 (2015 - $27.4 million), with all calculations based on the greater of the value in use and the fair value less costs to dispose. To determine fair value less costs to dispose, Eagle considered recent transactions within the industry, long-term views of commodity prices, externally evaluated reserve volumes and discount rates specific to the CGU. The Salt Flat, Hardeman and Twining CGUs were calculated at an 11% discount rate and the Dixonville CGU was calculated at 11.6% (2015 – Salt Flat, Hardeman and Twining – 11%, Dixonville – 11.6%).

The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. A 1% increase (decrease) in the discount rate would have decreased (increased) the fair value estimate by approximately $12.9 million. In addition, a 10% increase (decrease) in the estimated future cash flows would have increased (decreased) the fair value estimate by $26.3 million.

The following commodity price estimates were used in determining whether an impairment to the carrying value of the CGUs existed at December 31, 2016:

	WTI Oil ($US/bbl)	*Edmonton Light Crude ($CA/bbl)*	*Henry Hub Gas ($US/MMBtu)*	*AECO Spot Gas ($CA/MMBtu)*
2017	55.00	56.00	3.40	3.40
2018	58.70	59.70	3.20	3.15
2019	62.40	63.40	3.35	3.30
2020	69.00	70.10	3.65	3.60
2021	75.80	76.90	4.00	3.90
2022	77.30	78.40	4.05	3.95
2023	78.80	79.90	4.15	4.10
2024	80.40	81.50	4.25	4.25
2025	82.00	83.20	4.30	4.30
2026	83.70	84.90	4.40	4.40
2027	85.30	86.50	4.50	4.50
2028	87.00	88.20	4.60	4.60
2029	88.80	90.10	4.65	4.65
2030	90.60	91.90	4.75	4.75
2031	92.40	93.70	4.85	4.85
Escalate thereafter at	2.0%/year	2.0%/year	2.0%/year	2.0%/year

The following commodity price estimates were used in determining whether an impairment to the carrying value of the CGUs existed at December 31, 2015:

	WTI Oil ($US/bbl)	*Edmonton Light Crude ($CA/bbl)*	*Henry Hub Gas ($US/MMBtu)*	*AECO Spot Gas ($CA/MMBtu)*
2016	45.00	56.60	2.50	2.70
2017	53.60	66.40	2.95	3.20
2018	62.40	72.80	3.40	3.55
2019	69.00	80.90	3.70	3.88
2020	73.10	83.20	3.90	3.95
2021	77.30	88.20	4.15	4.20
2022	81.60	93.30	4.35	4.45
2023	86.20	98.70	4.60	4.70
2024	87.90	100.70	4.70	4.80
2025	89.60	102.60	4.80	4.90
Escalate thereafter at	2.0%/year	2.0%/year	2.0%/year	2.0%/year

17. Debt

On March 13, 2017 Eagle retired all amounts drawn under its $ 70 million authorized bank credit facility that was held with a syndicate of Canadian chartered banks and replaced it with a new four year secured term loan from White Oak Global Advisors LLC ("White Oak") which provides up to $ 87 million (the current Canadian dollar equivalent of $US 65 million) of financing. Headquartered in San Francisco, White Oak is an SEC-registered investment adviser with assets under management of approximately $US 3 billion. See note 22 "Subsequent Event".

As at December 31, 2016, Eagle had a credit facility with a syndicate of Canadian chartered banks. The credit facility is used for general corporate purposes including working capital, capital expenditures and future acquisitions. As at December 31, 2016, the authorized borrowing base of Eagle's credit facility was $ 70 million (December 31, 2015 - $US 80 million) with a maturity date of May 26, 2017. The credit facility is secured by 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 facility). Amounts drawn on the credit facility can be denominated in U.S. or Canadian dollars and may be used for activities in either the U.S. or Canada. The credit facility agreement provides for borrowing by way of LIBOR and base rate loans for amounts drawn in US funds and bankers' acceptances and prime rate loans for amounts drawn in Canadian funds. The margins above base rate, prime rate, LIBOR and bankers' acceptance rate, as applicable, for the credit facility are subject to a pricing grid based on the then applicable ratio of consolidated debt to EBITDAX (the "**Margin Ratio**"). The credit facility documentation also provides for (i) a standby fee for each lender calculated on the lesser of (a) the unused amount of such lender's commitment, and (b) the unused amount of such lender's pro rata share of the borrowing base then in effect, at a percentage based on the applicable Margin Ratio; and (ii) an issuance fee on the outstanding amount of any letter of credit equal to the margin applicable to LIBOR loans (subject to a reduction in fees for non-financial letters of credit).

As of December 31, 2016, there were no covenant violations under or in connection with the credit facility.

On May 31, 2016, Eagle finalized its semi-annual borrowing base redetermination which resulted in: (i) amendments being made to its credit facility agreement; (ii) a borrowing base level being set at $ 70 million; and, (iii) a maturity date of May 27, 2017 remaining unchanged. Security granted under the credit facility 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 facility agreement).

On November 3, 2016, the semi-annual review was finalized, with no changes made from May 31, 2016.

A summary of the significant amendments made to the credit facility agreement effective May 31, 2016 is set forth below.

Summary of Significant Amendments to Covenants, Terms and Conditions of Credit Facility Agreement made May 31, 2016

Under the credit facility 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 facility agreement's covenants, terms and conditions made effective May 31, 2016 and remaining in effect through to the retirement of this credit facility on March 13, 2017. See note 22 "Subsequent Event".

- Borrowing base of $ 70 million.
- Maturity date of the credit facility of May 27, 2017 remained unchanged.
- 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 facility agreement, and which was $14.8 million at December 31, 2016) for the trailing four quarters, remained unchanged.
- A new covenant was added 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 and ending with any dividend that may be declared in June 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. 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 were 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 remained unchanged from that disclosed in Eagle's 2015 annual financial statements. The debt to four quarter trailer EBITDAX ratio at December 31, 2016 was 3.3 to 1.00.
  - Under the credit facility, "EBITDAX" means, calculated for such period:
  - (a) Net Income for such period of determination; plus
  - (b) to the extent deducted in determining net income, interest expense, charges against income for foreign, federal, state, and local taxes, depreciation, amortization, depletion and exploration expense and other non-recurring expenses that do not represent a cash item in such period or any future period; minus
  - (c) extraordinary or non-recurring gains for such period minus
  - (d) any gain realized upon an asset disposition of any assets (other than in the ordinary course of business); minus

  - (e) non-cash gains, losses or adjustments under Financial Accounting Standards Board (FASB) Statement 133 as a result of changes in the fair market value of derivatives; minus
  - (f) Federal, state, local and foreign income tax credits;
  - In addition, EBITDAX is calculated after giving effect on a pro-forma basis to any permitted acquisition or asset disposition as if such acquisition or disposition occurred at the beginning of such period.

- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a minimum current ratio (being the ratio of current assets plus the unused availability under the credit facility less cash subject to restriction and risk management assets and other assets resulting from a mark-to-market valuation is to current liabilities less the current portion of long-term debt and risk management liabilities and other liabilities resulting from a mark-to-market valuation) of not less than 1.00 to 1.00 remained unchanged. The current ratio at December 31, 2016 was 2.6 to 1.00.
- The covenant requiring Eagle to maintain, as at the end of each fiscal quarter, a minimum four quarter trailing interest expense coverage ratio of 3.00 to 1.00 was deleted.

The maturity date of the credit facility agreement 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 facility agreement to make advances to Eagle up to the authorized borrowing base amount in effect from time to time. In the event that prior to May 27, 2017, (i) Eagle and its syndicate of Canadian bank lenders have not amended the credit facility agreement to reflect a later maturity date, or (ii) Eagle does not repay amounts outstanding under the existing credit facility 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 facility agreement instructs that Eagle shall repay all outstanding principal and accrued interest amounts on May 27, 2017. Refer to "Subsequent Event" note 22 for details of a new four year secured term loan Eagle has entered into as of March 13, 2017.

In the event that a borrowing base redetermination results in a reduction of the authorized credit facility below the amount outstanding under the credit facility (such that a "borrowing base deficiency" exists) the credit facility instructs that Eagle must elect to take any one or a combination of the following actions: (1) Repay the borrowing base deficiency within 10 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 borrowing base deficiency within 30 days.

At December 31, 2016, details of Eagle's credit facility are as follows:

$000's	$CA
Authorized (revolving)	70,000
Less:	
Amounts drawn	(61,245)
Available	8,755

At December 31, 2015, details of Eagle's credit facility were 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.

18. Decommissioning Liability

$000's	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Beginning balance	26,998	10,347
Acquisition	73	3,187
Additions	29	251
Change in estimate due to acquired properties	180	9,011
Other changes in estimates	(1,427)	3,274
Accretion (unwinding of discount)	458	399
Effects of exchange rate	(109)	529
Ending balance	**26,202**	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 December 31, 2016 of 1.72% for the Salt Flat properties (December 31, 2015 – 1.39%), 1.72% for the Hardeman properties (December 31, 2015 – 2.15%), 2.3 % for the Dixonville properties (December 31, 2015 – 2.15%), 1.72% for the Twining properties (December 31, 2015 – 1.39%) and 2.31% for the NW Alberta properties that were acquired January 27, 2016 pursuant to the Arrangement.

When the Twining properties were acquired, a valuation of the decommissioning asset was made using a credit adjusted risk free rate of 10%. A change in estimate occured when the decommissioning asset was booked using a risk free rate of 2.0%.

Included in the balance at December 31, 2016 is $180,000 of decommissioning liability recorded as part of the Maple Leaf property acquisition. See note 6 "Business Combination".

19. Share Capital

Eagle has an unlimited number of common shares authorized for issuance. At December 31, 2016, the shares outstanding were as follows:

Shares Outstanding

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Number of units (000's)	**Amount ($000's)**	Number of units (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 issue costs	-	(906)	-	(5)
Ending balance	**42,451**	**320,012**	34,863	315,379

On January 27, 2016, as part of the Arrangement, Eagle issued 7.59 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.

For the year ended December 31, 2016, Eagle incurred $nil (December 31, 2015 - $5,000) of unit issuance costs in conjunction with the Distribution Reinvestment Plan ("**DRIP**").

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.

20. Related Party Disclosures

Eagle has no party holding voting control.

Key Management

Key management personnel include the Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, the Executive Vice-President, General Counsel/Corporate Secretary and the external Directors. Refer to note 13 "Employees and Key Management".

Intercompany Transactions

There are certain intercompany transactions among the subsidiaries comprising these consolidated financial statements of Eagle. Other than realized foreign exchange gains or losses, transactions have been eliminated in consolidation.

21. 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 74 months and approximately $2.8 million remaining at December 31, 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 2 months and approximately $0.04 million remaining at December 31, 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 12 months and approximately $US 0.3 million remaining at December 31 2016. In $CA, the remaining future minimum lease payments approximate $0.4 million translated at the exchange rate in effect at the balance sheet date of $US 1 equal to $CA 1.34.

Legal Proceedings

Eagle is involved in various litigation and claims in the normal course of Eagle's operations. Although the outcome of these claims cannot be predicted with certainty, Eagle does not expect these matters to have a material adverse effect on Eagle's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Eagle's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation and claims are recognized if Eagle determines that the loss is probable and the amount can be reasonably estimated. Eagle believes it has made adequate provision for such legal claims.

22. Subsequent Event

$CA 87 million ($US 65 million) Term Loan Financing

On March 13, 2017 Eagle retired all amounts drawn under its $CA 70 million authorized bank credit facility that was held with a syndicate of Canadian chartered banks and replaced it with a new four year secured term loan from White Oak Global Advisors LLC ("White Oak") which provides up to $CA 87 million (the current Canadian dollar equivalent of $US 65 million) of financing. Headquartered in San Francisco, White Oak is an SEC-registered investment adviser with assets under management of approximately $US 3 billion.

Eagle drew approximately $82 million (the current Canadian dollar equivalent of $US 61.5 million) upon closing the term loan agreement with White Oak and can draw the remaining $US 3.5 million prior to the first anniversary of closing.

The following lists the key terms of the Loan Agreement between Eagle and White Oak:

- Effective Date – March 13, 2017
- Term – 4 years
- Maturity Date - March 13, 2021
- Aggregate Term Loan Commitment / Initial Borrowing Base - $US 65 million
- Borrowing Base Redeterminations – Quarterly, commencing June 15, 2017 and based upon an advance rate of 75% of the proved developed producing reserves value, discounted at 10% ("**PDP PV10 reserves value**").
- Drawings - $US 61.5 million initially drawn at the Effective Date. The incremental $US 3.5 million can be drawn at Eagle's option upon Eagle completing a notice of borrowing and drawing prior to March 10, 2018.
- Coupon – LIBOR plus 8% (with LIBOR having a floor of 1%)
- Financial covenants – The four financial covenants in the Loan Agreement are briefly described below:

(a) Consolidated Leverage Ratio

As at the end of each fiscal quarter, commencing with the quarter ended June 30, 2017, Eagle is to maintain a Consolidated Leverage Ratio of not greater than 3.50 to 1.00 for each fiscal quarter ending on or prior to December 31, 2017 and a ratio of not greater than 3.00 to 1.00 for each fiscal quarter ending on or after March 31, 2018.

The "Consolidated Leverage Ratio" is defined in the loan agreement as the ratio of Consolidated Funded Debt to Consolidated Adjusted EBITDAX for the trailing four fiscal quarters. Consolidated Adjusted EBITDAX is generally defined as net income before interest, taxes, depreciation, depletion, amortization or other expenses, gains or losses that do not represent a cash item in such period.

(b) Consolidated Fixed Charge Ratio

As at the end of each fiscal quarter, commencing with the quarter ended March 31, 2017, Eagle is to maintain a Consolidated Fixed Charge Ratio of not less than 2.50 to 1.00.

The "Consolidated Fixed Charge Ratio" for the fiscal quarter is defined in the Loan Agreement as the ratio that (i) Consolidated Adjusted EBITDAX plus (ii) income tax payments minus (iii) maintenance capital expenditures associated with proved developed producing reserves is to interest expense (each for the fiscal quarter).

(c) Asset Coverage Ratio

As at the end of each fiscal quarter, commencing with a March 31, 2017 effective date reserve report internally prepared by Eagle, Eagle is to maintain an Asset Coverage Ratio of not less than 1.333 to 1.000.

The "Asset Coverage Ratio" is defined in the Loan Agreement as the ratio of the PDP PV10 reserves value (using prices quoted on NYMEX) to the aggregate principal balance outstanding under the term loan.

(d) Consolidated Current Ratio

As at the end of each fiscal quarter, commencing with the quarter ended March 31, 2017, Eagle is to maintain a consolidated current ratio of not less than 1.00 to 1.00.

The "Consolidated Current Ratio" is defined in the Loan Agreement as the ratio of Consolidated Current Assets to Consolidated Current Liabilities, but, in each case, excluding any risk management assets or risk management liabilities that are classified as current.

"*Consolidated Adjusted EBITDAX*", as defined in the Loan Agreement means:

(a) net income; plus;

(b) interest expense, accrued taxes, depreciation, depletion, amortization, exploration expense and other non-recurring expenses that do not represent a cash item in such period or any future period; plus or minus;

(c) gains or losses attributable to write-ups or write-downs of assets; plus or minus;

(d) unrealized foreign exchange gains or losses; plus or minus;

(e) non-cash gains, losses or adjustments under Financial Accounting Standards Board (FASB) Statement 133 as a result of changes in the fair market value of derivatives; plus or minus;

(f) non-cash share based compensation or recovery amounts.

In addition, EBITDAX is calculated after giving effect on a pro-forma basis to any permitted acquisition or asset disposition as if such acquisition or disposition occurred at the beginning of such period.

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

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.

Legal Counsel

Bennett Jones LLP

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