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First Quarter 2017 Financial Report



EAGLE ENERGY™

INC.



Management's Discussion and Analysis

May 11, 2017

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations for Eagle Energy Inc. ("**Eagle**"), dated May 11, 2017, should be read in conjunction with Eagle's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2017 ("**Interim Financial Statements**") and Eagle's audited consolidated financial statements and accompanying notes and related MD&A 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.

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

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

The foreign exchange rate at March 31, 2017 was \$US 1.00 equal to \$CA 1.33 (December 31, 2016 - \$US 1.00 equal to \$CA 1.34), and the average foreign exchange rate for the three months ended March 31, 2017 was \$US 1.00 equal to \$CA 1.32 (for the three months ended March 31, 2016 - \$US 1.00 equal to \$CA 1.37).

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 Three Months ended March 31, 2017

- Eagle is 52% through its full year capital program to the end of the first quarter with results meeting expectations. Eagle has successfully completed its two-well drilling program at Salt Flat and its three-well drilling program at Twining. All five wells came on-stream during the late March to mid-April time period.
- First quarter field netback of \$7.1 million is 148% higher than first quarter 2016 levels and was buoyed by stronger commodity prices.
- First quarter funds flow from operations of \$1.6 million (\$0.04 cents per share) was impacted by a \$1.6 million one-time charge which was required to unwind a hedge upon replacement of the bank credit facility. Absent this one time charge, funds flow from operations would have been 46% higher when compared to the prior year's comparative quarter.
- First quarter general and administrative charges were 35% below the prior year's comparative quarter. Eagle expects 2017 general and administrative expenses to be approximately 16% below 2016 levels.

On March 13, 2017, Eagle announced an increase to its borrowing capacity by successfully obtaining 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.

Term Loan Financing - \$CA 86 million (\$US 65 million) - closed March 13, 2017

- Eagle has expanded its borrowing capacity by 24% to approximately \$86 million (the March 31, 2017 Canadian dollar equivalent of \$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 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 \$86 million (the March 31, 2017 Canadian dollar equivalent of \$US 65 million) of financing (the "**Loan Agreement**"). This was done in anticipation of a possible withdrawal of support from certain members of Eagle's existing syndicate of Canadian bank lenders who indicated a desire to reduce their exposure to the junior energy lending market. Eagle's new lender, White Oak, is an SEC-registered investment adviser headquartered in San Francisco 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 March 31, 2017, Eagle had drawn approximately \$82.4 million (the March 31, 2017 Canadian dollar equivalent of \$US 61.5 million) under the Loan Agreement. On April 13, 2017, the amount drawn was reduced to \$US 57.5 million without payment of any make-whole amount or repayment premium. In addition, the remaining incremental term loan amount available for Eagle to draw, at its option, prior to March 13, 2018 and upon completing a Notice of Borrowing, was increased from \$US 3.5 million to \$US 7.5 million.
- Based on execution of its approved 2017 budget, Eagle expects 2017 ending net debt to be \$73.5 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.

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 remains unchanged from what Eagle previously announced on March 13 and reiterated on March 16, 2017 and is as follows:

Guidance

	2017 Guidance	Notes
Capital Budget	\$22.8 mm	(1)
Average Production	3,800 to 4,000 boe/d	(2)
Operating Costs per month	\$2.1 to \$2.3 mm	(3)

Notes:

- (1) The 2017 capital budget of \$22.8 million consists of \$US 12.2 million for Eagle's operations in the United States and \$6.8 million for Eagle's operations in Canada.
- (2) 2017 production is forecast to consist of 84% oil, 3% natural gas liquids ("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.

Eagle's Expected Funds Flow from Operations, Ending Net Debt and Field Netback

Updated commodity price and foreign exchange rate assumptions of management and resulting expected funds flow from operations, ending net debt and field netback and related sensitivities are as follows:

	Amount	Notes
Funds Flow from Operations	\$15.2 mm	(1)
Ending Net Debt	\$73.5 mm	
Field Netback (excluding hedges)	\$23.36 / boe	(2)

Notes:

- (1) 2017 funds flow from operations is expected to be approximately \$15.2 million (previously \$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 51.75 (previously \$US 55.46) per barrel WTI oil, \$US 3.37 (previously \$US 3.36) per Mcf NYMEX gas, \$CA 2.79 (unchanged) per Mcf AECO and \$US 18.11 (previously \$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 1.35 (previously \$CA 1.30).
- (2) This figure assumes average operating costs of \$2.2 million per month (the mid-point of the guidance range) and a \$US 51.75 (previously \$US 55.46) WTI price. Field netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures".

2017 Sensitivities

The following tables show the sensitivity of Eagle's 2017 expected 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)		
	FX 1.30	FX 1.35	FX 1.40
Sensitivity to Commodity Price			
\$US 46.75 WTI	\$12.4 mm	\$13.6 mm	\$14.8 mm
\$US 51.75 WTI	\$14.0 mm	\$15.2 mm	\$16.5 mm
\$US 56.75 WTI	\$15.6 mm	\$16.9 mm	\$18.2 mm

Sensitivity to Production	2017 Average Production (WTI \$US 51.75, FX 1.35)		
	3,800	3,900	4,000
Funds Flow from Operations (\$CA)	\$14.4 mm	\$15.2 mm	\$16.1 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 1.35, unless otherwise indicated in the table.

Consolidated Results of Operations

Production

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Working interest (boe/d)	3,545	3,694	(4)
Royalty interest (boe/d)	222	160	39
Total (boe/d)	3,767	3,854	(2)

Working interest sales volumes for the first quarter of 2017 averaged 3,545 boe/d (87% oil, 3% NGLs, 10% natural gas). Royalty interest volumes for the quarter averaged 222 boe/d (26% oil, 17% NGLs, 57% natural gas) and increased over prior year's comparative period because 2017 numbers include a full three months of the early 2016 acquisition of Maple Leaf.

Average Daily Production by Product Type

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Working Interest			
Oil (bbl/d)	3,101	3,233	(4)
Natural gas (Mcf/d)	2,077	2,126	(2)
NGLs (bbl/d)	98	106	(8)
Oil equivalent sales volumes (boe/d @6:1)	3,545	3,694	(4)
Royalty Interest			
Oil (bbl/d)	57	30	90
Natural gas (Mcf/d)	763	614	24
NGLs (bbl/d)	38	28	36
Oil equivalent sales volumes (boe/d @6:1)	222	160	39
Total			
Oil (bbl/d)	3,158	3,263	(3)
Natural gas (Mcf/d)	2,840	2,740	4
NGLs (bbl/d)	136	134	1
Oil equivalent sales volumes (boe/d @6:1)	3,767	3,854	(2)

Revenue

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Working Interest Revenue⁽¹⁾			
Oil	16,581	10,553	57
Natural gas	558	425	31
NGLs	289	165	75
Other	246	230	7
	17,674	11,373	55
Royalty Interest Revenue			
Oil	275	110	150
Natural gas	158	101	56
NGLs	115	69	67
Other	-	-	-
	548	280	96
Total Revenue⁽¹⁾			
Oil	16,856	10,663	58
Natural gas	716	526	36
NGLs	404	234	73
Other	246	230	7
	18,222	11,653	56

Notes:

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

Product Prices

Realized Prices	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Oil (\$/bbl)	59.31	35.91	65
Natural gas (\$/Mcf)	2.80	2.11	33
NGLs (\$/bbl)	33.01	19.17	72
Other (\$/bbl)	0.73	0.66	11
Revenue (\$/boe)	53.76	33.23	62

Benchmark prices	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
WTI crude oil (\$US/bbl)	51.90	33.45	55
Exchange rate (\$CA/\$US)	1.32	1.37	(4)
Edmonton Par crude oil (\$CA/bbl)	64.74	41.22	57
NYMEX Gas (\$US/Mcf)	3.06	1.99	54
AECO natural gas (\$CA/Mcf)	2.69	1.83	47

Eagle's quarterly revenue is 93% derived from oil. Realized oil prices in Canadian dollars for the three months ended March 31, 2017 increased by 65% when compared to the three months ended March 31, 2016 due to a higher first quarter 2017 benchmark WTI crude oil price. The realized price increase is higher than the WTI increase due to the pricing contracts Eagle has in place.

For Eagle's US 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 obtain predictable 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. Commencing January 1, 2017, Eagle entered into a 6 month contract with a fixed field pricing adjustment, while allowing the LLS-WTI differential and the Argus P+ differential to float.

For the Hardeman properties, field marketing contracts are on a month-to-month term using WTI as a reference price and holding all other field pricing adjustments fixed while letting the Argus P+ differential to float.

For the Dixonville properties in Canada, the entire differential to WTI, including quality and transportation, is a discount of approximately \$CA 17.36 per barrel. For the Twining properties in Canada, the entire differential to WTI, including quality and transportation, is a discount of approximately \$CA 10.56 per barrel. Eagle also has a fixed price physical swap on 986 barrels per day of oil fixing the price differential between Edmonton light sweet and WTI at \$US 3.25 per barrel for the period January 1, 2017 to December 31, 2017. 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 loss of \$1.9 mm (\$5.69/boe) for the three months ended March 31, 2017. See "Realized and Unrealized Risk Management Gain/Loss".

Royalties

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Working interest (\$000's)	4,004	2,554	57
\$/boe	12.55	7.60	65
Royalty interest (\$000's)	-	-	-
\$/boe	-	-	-
Total (\$000's)	4,004	2,554	57
\$/boe ⁽¹⁾	11.81	7.28	62
Royalty rate on working interest sales:	23%	22%	1

Notes:

(1) Total \$/boe amounts are calculated using working interest and royalty interest volumes of 3,767 boe/d.

The overall royalty rate of approximately 23% for the three months ended March 31, 2017 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 the first quarter of 2017 compared to an average royalty rate of 27% on the U.S. properties in the first quarter of 2017. 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. Royalty rates for Eagle's U.S. properties do not generally fluctuate with underlying commodity prices.

For the three months ended March 31, 2017, royalties paid increased by 62% on a per boe basis when compared to the prior year. This increase is attributable to a 62% higher realized commodity price resulting from the increase in the WTI benchmark price.

Operating Expenses

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Working interest (\$000's)			
Operating expenses	6,698	5,656	18
Transportation and marketing expenses	467	609	(23)
	7,165	6,265	14
(\$/boe)			
Operating expenses	21.00	16.83	25
Transportation and marketing expenses	1.46	1.81	(19)
	22.46	18.64	20
Royalty interest (\$000's)			
Operating expenses	-	-	-
Transportation and marketing expenses	-	-	-
	-	-	-
(\$/boe)			
Operating expenses	-	-	-
Transportation and marketing expenses	-	-	-
	-	-	-
Total operating expenses (\$000's)			
Operating expenses	6,698	5,656	18
Transportation and marketing expenses	467	609	(23)
	7,165	6,265	14
(\$/boe)⁽¹⁾			
Operating expenses	19.76	16.13	23
Transportation and marketing expenses	1.38	1.74	(21)
	21.14	17.86	18

Notes:

(1) Total \$/boe amounts are calculated using working interest and royalty interest volumes of 3,767 boe/d.

Per boe operating expenses (inclusive of transportation and marketing expenses) totaling \$7.2 million for the three months ended March 31, 2017 are comprised primarily of power (19%), field salaries (7%), chemicals (6%), oil transportation (6%) and water disposal fees (5%). For the three months ended March 31, 2016, operating expenses of \$6.3 million were comprised primarily of power (20%), oil transportation (9%), field salaries (9%) and water disposal fees (7%).

Per boe operating expenses on a year-over-year basis increased 23% due to higher well servicing activity in Salt Flat, Hardeman and Twining, and colder winter weather, higher propane costs and increased well repair and downhole repair activity in Dixonville. For 2017, Eagle remains on-track to achieve its stated average monthly operating cost guidance of \$2.1 million to \$2.3 million per month.

Quarter-over-quarter transportation and marketing expenses on a per boe basis are lower as Eagle negotiated more favorable trucking contracts.

Field Netback

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	\$000's	\$/boe	\$000's	\$/boe
Revenue	18,222	53.76	11,653	33.23
Royalties	(4,004)	(11.81)	(2,554)	(7.28)
Operating expenses	(6,698)	(19.76)	(5,656)	(16.13)
Transportation and marketing expenses	(467)	(1.38)	(609)	(1.74)
Field netback	7,053	20.81	2,834	8.08
Sales volumes (boe/d)		3,767		3,854

During the quarter, Eagle averaged revenue of \$53.76 per boe and realized a field netback of \$20.81 per boe. When compared to the prior year, the increase in field netback is primarily due to the increase in commodity prices being partially offset by the higher field operating expenses.

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

Administrative Expenses

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
	Administrative expenses (\$000's)	2,387	3,646
\$/boe	7.04	10.40	(32)

Total administrative expenses for the three months ended March 31, 2017 were \$2.4 million, approximately 24% of full year 2017 expected levels. Staff and related employment costs and office costs accounted for 70% and 17%, respectively, of administrative expenses for the three months ended March 31, 2017 (three months ended March 31, 2016 – 55% and 17% respectively). In 2016, one-time deal transaction costs of \$0.6 million relating to the Maple Leaf acquisition were included in administrative expenses. For 2017, general and administrative expenses are expected to be approximately 16% lower than 2016 levels.

Realized and Unrealized Risk Management Loss (Gain)

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	bbbls/d	Jan-17	Dec-17	45.10	45.10
NYMEX (i)	750	bbbls/d	Jan-17	Dec-17	52.00	52.00
NYMEX (i)	500	bbbls/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 March 31, 2017	Three Months Ended March 31, 2016	%
	Realized loss (gain)	1,929	(3,327)
Unrealized loss (gain)	(5,900)	2,734	(316)
Net gain	(3,971)	(593)	570

On a quarter-over-quarter basis, the net value of the commodity price contracts has increased. 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, as well as the amount of production that Eagle has hedged. On February 23, 2017, in anticipation of the retirement of the credit facility with the syndicate of Canadian bank lenders, Eagle was required by one of the bank lenders to unwind a contract with that bank lender for 375 bbls/d for the period of January 2017 to December 2017 with a future settlement price of \$US 44.75 per barrel WTI because the bank lender was unable to novate the contract to BP Energy Company, which is a secured non-lender hedge counterparty under the Loan Agreement. Eagle therefore incurred a realized loss of \$1.6 million. Although Eagle currently does not intend to unwind the remaining contracts that are in place, it is required to calculate and record, using a mark-to-market valuation, the fair value of the remaining term of the contracts at the end of each reporting period, hence the change in value of the unrealized portion of the commodity contracts.

Eagle had 1,825 barrels of oil per day hedged at an average WTI price of \$US 50.17 for the first quarter of 2017. For the remainder of 2017, Eagle has 1,625 barrels of oil per day hedged at an average WTI price of \$US 50.84. 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.

During the first quarter of 2016, Eagle had 1,170 barrels of oil per day hedged at an average WTI price of \$US 55.86, a natural gas hedge on 1,500 GJs per day at a fixed price of \$CA 2.83 and a fixed price financial swap on 1,000 barrels per day of oil fixing the differential between Edmonton light sweet and WTI at \$US 3.65 per barrel.

Finance Expense

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Finance expense (\$000's)	1,432	893	60
\$/boe	4.22	2.54	66

For the three months ended March 31, 2017, finance expense increased over the comparative prior period due to an increase in the interest rate, amortization of deferred financing costs and higher debt outstanding.

During the quarter, and in anticipation of a possible withdrawal of support from certain members of its existing syndicate of Canadian bank lenders, Eagle retired all amounts drawn under its previous bank credit facility that was maturing on May 27, 2017 and entered into a new four year secured term loan (see "Term Loan Financing - \$CA 86 million (\$US 65 million) - closed March 13, 2017" and "Liquidity and Capital Resources"). Funds borrowed were denominated in U.S. dollars. For the prior year's comparative quarter, funds were borrowed primarily by way of banker's acceptance and drawn in Canadian dollars.

For the quarter, the effective interest rate was 8.13% (4.54% for the comparable period in 2016).

Funds Flow from Operations

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

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	\$000's	\$/boe	\$000's	\$/boe
Field netback ⁽¹⁾	7,053	20.81	2,834	8.08
Cash settled award payments	(9)	(0.03)	(25)	(0.07)
Administrative expenses - cash	(2,387)	(7.04)	(3,321)	(9.47)
Realized risk management gain (loss)	(1,929)	(5.69)	3,327	9.49
Finance expense	(1,137)	(3.35)	(646)	(1.84)
Amortization of leasehold inducement	(2)	(0.01)	-	-
Realized foreign exchange gain (loss) ⁽²⁾	-	-	(2)	(0.01)
Funds flow from operations	1,589	4.69	2,167	6.18

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.

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. 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	31	-
Oil price ⁽²⁾	\$US 1.00/bbl WTI	290	0.01
Gas production	+1000 mcf/d	186	-
Oil production	+100 bbls/d	187	-
Currency ⁽²⁾	CA weaken by \$0.01	46	-
Interest rate	+1% prime	(166)	-

Notes:

- (1) Per share figures are based on 42,483,164 weighted average basic shares outstanding for the three months ended March 31, 2017.
(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 3,767 boe/d.

Share-based Compensation

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
	Share-based compensation expense (recovery)	176	(154)

Eagle has a long-term equity compensation incentive plan (the "2016 Equity Incentive Plan") under which Restricted Share Units ("RSUs") and Performance Share Units ("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 Restricted Unit Rights ("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 dollar amount of share-based compensation expense does not represent cash paid by Eagle. During the first quarter of 2017, \$9,500 was paid out in cash for amounts related to vested RURs compared to \$24,000 paid in the first quarter of 2016. The decrease in payments year-over-year is due to the suspension of Eagle's monthly cash dividend following the payment of its February 2017 dividend, as RUR payments track with dividends.

Depreciation, Depletion and Amortization

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Depreciation, depletion and amortization	4,946	5,417	(9)

The depletion, depreciation, and amortization provision for the three months ended March 31, 2017 for all properties 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 combination of a decrease in carrying value due to an impairment charge at December 31, 2016, along with a slight decrease in reserves, resulted in a lower per boe depletion rate when compared to the first quarter of 2016, from \$7.61 to \$6.37 per boe.

For the Twining properties, an increase in carrying value due to an impairment reversal at 2016 year-end, resulted in a per boe depletion rate of \$13.36/boe in the first quarter of 2017 compared to \$12.89 in the first quarter of 2016.

For the Hardeman properties, an increase in carrying value due to an impairment reversal at 2016 year-end, along with an increase in reserves, resulted in a per boe depletion rate of \$20.45 in the first quarter of 2017 compared to \$21.67 for the first quarter of 2016.

For the Salt Flat properties, an increase in carrying value due to drilling and an impairment reversal at 2016 year-end, along with an increase in reserves, resulted in the per boe depletion rate remaining consistent at \$21.98 in the first quarter of 2017 compared to \$22.78 in the first quarter of 2016.

Due to an increase in the WTI oil price during 2016, year-end 2016 impairment reversals were taken on the Twining, Hardeman and Salt Flat properties. These properties also saw an increase in reserves, resulting in consistent year-over-year per boe depletion rates. The Dixonville property had a year-end 2016 impairment charge which resulted in lower current carrying values and also had a slight decrease in reserves. As a result, the per boe depletion rate at Dixonville decreased slightly. On an overall corporate level the per boe depletion rate decreased slightly, and, when combined with a 2% decrease in production, the result was depreciation, depletion and amortization expense being 9% lower in the first quarter of 2017 than the first quarter of 2016.

At March 31, 2017, Eagle assessed each of its CGUs and determined that there were no indicators of impairment. An assessment will be done each quarter in 2017.

Foreign Exchange Loss (Gain) on Intercompany Loan

The foreign exchange loss (gain) on an intercompany loan is a non-cash entry resulting from the U.S. subsidiary holding a Canadian dollar denominated loan issued by its parent, Eagle Energy Trust. Although the intercompany loan is eliminated on consolidation, it is no longer considered part of the net investment in the subsidiary because amounts have been repaid, thus any related period-end foreign exchange translation adjustment is recorded in earnings or loss.

For the three months ended March 31, 2017, Eagle recorded a foreign exchange loss of \$0.8 million due to a decrease in the average foreign exchange rate from the previous quarter.

Capital Expenditures

Capital expenditures during the three month period ended March 31, 2017 were as follows:

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Exploration and evaluation ⁽¹⁾	-	5
Acquisition - Maple Leaf Royalties Corp.	-	5,144
Land	2,184	-
Intangible drilling and completions	9,052	1,897
Well equipment and facilities	576	336
Other	4	-
Total	11,816	7,382

Note:

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

Capital expenditures in the first quarter consisted primarily of \$6.1 million to drill, complete and equip three wells in the Canadian Twining area, \$2.4 million to drill, complete and equip two wells in the United States Salt Flat area and \$2.2 million to purchase land in the United States.

Summary of Quarterly Results

	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015
(\$000's except for boe/d and per share amounts)								
Sales volumes – boe/d	3,767	3,803	4,085	4,147	3,854	3,783	3,607	3,034
Revenue, net of royalties	14,218	13,891	12,854	13,149	9,099	11,603	13,428	12,884
per boe	41.95	39.72	34.20	34.84	25.94	33.34	40.46	46.66
Operating and Transportation and Marketing Expenses	7,165	6,799	6,564	5,928	6,265	6,356	6,473	5,171
per boe	21.14	19.44	17.46	15.71	17.86	18.26	19.50	18.73
Field netback	7,053	7,092	6,290	7,221	2,834	5,246	6,956	7,713
per boe	20.81	20.28	16.74	19.13	8.08	15.08	20.96	27.94
Funds flow from operations	1,589	3,901	4,582	5,148	2,167	5,147	7,332	10,532
per boe	4.69	11.15	12.19	13.64	6.18	14.79	22.09	38.14
per share – basic	0.04	0.09	0.11	0.12	0.05	0.15	0.21	0.30
per share – diluted	0.04	0.09	0.11	0.12	0.05	0.15	0.21	0.30
Earnings (loss)	1,303	30,508	52	(9,288)	(11,713)	(23,198)	(51,784)	(6,541)
per share – basic	0.03	0.72	0.00	(0.23)	(0.29)	(0.67)	(1.48)	(0.19)
per share - diluted	0.03	0.72	0.00	(0.23)	(0.29)	(0.67)	(1.48)	(0.19)
Cash dividends declared	425	637	636	1,274	1,584	2,614	3,143	3,130
per issued share	0.01	0.015	0.015	0.03	0.04	0.07	0.09	0.09
Current assets	18,819	9,302	9,787	10,618	12,829	19,767	21,862	13,382
Current liabilities	11,474	74,758	72,387	75,035	5,472	9,397	8,033	7,754
Total assets	233,951	218,199	190,945	195,044	199,708	208,572	228,959	245,009
Total non-current liabilities	104,359	26,202	31,690	32,397	96,317	92,616	91,316	52,012
Shareholders' equity	118,118	117,239	86,868	87,612	97,919	106,559	129,611	185,243
Shares issued	42,857	42,452	42,452	42,452	42,452	34,863	34,893	34,961

For the three months ended March 31, 2017, sales volumes were slightly lower than the previous quarter because first quarter production does not include the results of Eagle's 2017 first quarter drilling program (i.e. five wells came on-stream in late March through mid-April 2017).

Although field netback remained consistent with the previous quarter, funds flow from operations decreased in the first quarter of 2017. This decrease was due to realized risk management losses of \$1.9 million and increased financing costs of \$0.5 million. \$1.6 million of this decrease was a one-time charge which was required to unwind a hedge before Eagle retired its credit facility with the syndicate of Canadian banks.

Earnings (loss) on a quarterly basis often do not move directionally or by the same amounts as funds flow from operations. This is 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. First quarter 2017 funds flow from operations was 65% less than the fourth quarter of 2016, yet the first quarter net income was 96% less than the fourth quarter of 2016 primarily due to a non-cash impairment recovery of oil and gas properties that was taken in the fourth quarter of 2016.

During the first quarter of 2017, and in anticipation of a possible withdrawal of support from certain members of its existing syndicate of Canadian bank lenders who indicated a desire to reduce their exposure to the junior energy lending market, Eagle retired all amounts drawn under the bank credit facility classified as a "current" liability and entered into a Loan Agreement which is classified as a "non-current" liability.

Segmented Operations

Eagle's operating activities relate 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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Production			
Working interest			
Oil (bbl/d)	1,760	1,826	(4)
Natural gas (Mcf/d)	220	245	(10)
NGLs (bbl/d)	33	40	(18)
Oil equivalent sales volumes (boe/d @ 6:1)	1,830	1,907	(4)
Royalty interest			
Oil (bbl/d)	-	-	-
Natural gas (Mcf/d)	-	-	-
NGLs (bbl/d)	-	-	-
Oil equivalent sales volumes (boe/d @ 6:1)	-	-	-
Total			
Oil (bbl/d)	1,760	1,826	(4)
Natural gas (Mcf/d)	220	245	(10)
NGLs (bbl/d)	33	40	(18)
Oil equivalent sales volumes (boe/d @ 6:1)	1,830	1,907	(4)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Field Netback (\$000's)			
Revenue	10,580	6,974	52
Royalties	(2,885)	(1,980)	46
Operating expenses	(3,658)	(3,169)	15
Transportation and marketing expenses	(32)	(15)	113
Field netback	4,005	1,810	121
(\$/boe)			
Revenue	64.23	40.19	60
Royalties	(17.51)	(11.41)	53
Operating expenses	(22.20)	(18.26)	22
Transportation and marketing expenses	(0.20)	(0.09)	122
Field netback	24.32	10.43	133

Capital Activity	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Capital expenditures (\$000's)	5,336	2,190	144
Wells drilled (rig-released)			
Gross	2.0	1.0	100
Net	2.0	1.0	100
Wells brought on-stream			
Gross	1.0	-	100
Net	1.0	-	100

During the first quarter of 2017, capital expenditures were \$5.3 million in the U.S. with average working interest sales volumes of 1,830 boe/d.

Revenue for the quarter was received primarily from two customers: Texican Crude Hydrocarbons LLC ("**Texican**") and Sunoco Logistics Partners L.P. ("**Sunoco**"), with revenue received amounting to \$5.9 million (56%) and \$1.8 million (16%) respectively. For the first quarter of 2016, \$4.7 million (67%) was received from Sunoco and \$1.3 million (18%) from Plains Marketing L.P. In 2017, Sunoco took over marketing Eagle's oil that was previously marketed by Plains.

Salt Flat Properties, Texas

At Salt Flat, Eagle successfully drilled its two-well program, with one well coming on-stream in late March and the second well in April 2017.

Hardeman Properties, Texas and Oklahoma

At Hardeman, construction was completed on the newest northern operating area salt water disposal well and the facility is operational.

Canada

Production	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Working interest			
Oil (bbl/d)	1,341	1,408	(5)
Natural gas (Mcf/d)	1,857	1,882	(1)
NGLs (bbl/d)	65	65	-
Oil equivalent sales volumes (boe/d @ 6:1)	1,716	1,786	(4)
Royalty interest			
Oil (bbl/d)	57	30	90
Natural gas (Mcf/d)	763	614	24
NGLs (bbl/d)	38	28	36
Oil equivalent sales volumes (boe/d @ 6:1)	222	160	39
Total			
Oil (bbl/d)	1,398	1,438	(3)
Natural gas (Mcf/d)	2,620	2,495	5
NGLs (bbl/d)	103	93	10
Oil equivalent sales volumes (boe/d @ 6:1)	1,937	1,947	(1)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Field Netback (\$000's)			
Revenue	7,642	4,679	63
Royalties	(1,119)	(574)	95
Operating expenses	(3,040)	(2,487)	22
Transportation and marketing expenses	(435)	(594)	(27)
Field netback	3,048	1,024	198
(\$/boe)			
Revenue	43.85	26.41	66
Royalties	(6.42)	(3.24)	98
Operating expenses	(17.44)	(14.04)	24
Transportation and marketing expenses	(2.50)	(3.35)	(25)
Field netback	17.49	5.78	203

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Capital Activity			
Capital expenditures (\$000's)	6,476	48	13,392
Wells drilled (rig-released)			
Gross	3.0	-	-
Net	3.0	-	-
Wells brought on-stream			
Gross	1.0	-	-
Net	1.0	-	-

During the first quarter of 2017, capital expenditures were \$6.5 million in Canada with average working interest plus royalty interest sales volumes of 1,937 boe/d.

Revenue for the first quarter was received primarily from Trafigura Canada General Partnership ("**Trafigura**") in the amount of \$6.2 million (81%). For the first quarter of 2016, \$4.0 million of revenue was received from Trafigura.

Dixonville Properties, Alberta

Eagle remains focused on monetizing operating efficiencies in the Dixonville field.

Twining Properties, Alberta

Eagle spent \$6.4 million drilling three horizontal wells in the Twining area in the first quarter of 2017, with one well coming on-stream in late March and the other two in April 2017.

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 minimal capital expenditures.

Corporate

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	%
Administrative expenses - cash portion	(2,387)	(3,321)	(28)
Risk management gain (loss) - realized	(1,929)	3,327	(158)
Cash settled award payments	(9)	(25)	(64)
Finance expense - cash portion	(1,137)	(646)	76
Amortization of leasehold inducements	(2)	-	-
Income tax recovery (expense)	-	-	-
Realized foreign exchange loss	-	(2)	(100)
Total	(5,464)	(667)	719

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 the corporation and its shareholders. 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.

Loan Agreement

On March 13, 2017, Eagle replaced its entire \$70 million authorized bank credit facility that was held with a syndicate of Canadian chartered banks with a new four year secured term loan from White Oak. The White Oak Loan Agreement provides up to \$86 million (the March 31, 2017 Canadian dollar equivalent of \$US 65 million) of financing. This was done in anticipation of a possible withdrawal of support from certain members of Eagle’s existing syndicate of Canadian bank lenders who indicated a desire to reduce their exposure to the junior energy lending market. Eagle’s new lender, White Oak, is an SEC-registered investment adviser headquartered in San Francisco 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.

Draws under the Loan Agreement are subject to quarterly covenant calculations, which are directly impacted by commodity price and foreign exchange fluctuations. The amount available under the Loan Agreement is subject to quarterly borrowing base determinations, which are directly impacted by the value of the oil and natural gas reserves. At March 31, 2017 and December 31, 2016, there were no covenant violations under or in connection with the Loan Agreement.

At March 31, 2017, the Company had a working capital surplus, excluding the risk management liability, of approximately \$7.9 million and \$82.4 million (the March 31, 2017 Canadian dollar equivalent of \$US 61.5 million) drawn under the Loan Agreement with the option to draw, by way of a Notice of Borrowing, the remaining incremental amount of \$US 3.5 million prior to March 13, 2018.

The details of Eagle’s debt were as follows:

\$000's	March 31, 2017	December 31, 2016
Amount drawn	82,381	61,245
Less deferred financing charges	(4,862)	(163)
Debt	77,519	61,082

Effective March 31, 2017, Eagle and White Oak entered into the first amendment to the Loan Agreement (“**First Amendment**”). The purpose was to amend both the first test date for the quarterly Asset Coverage Ratio and the first scheduled date for the quarterly Borrowing Base redetermination to commence with a reserve report effective date of June 30, 2017 instead of March 31, 2017. The commencement dates for the Asset Coverage Ratio and the Borrowing Base redetermination are now consistent with the commencement date of the quarterly Consolidated Leverage Ratio.

In addition, and pursuant to the First Amendment, Eagle prepaid \$US 4.0 million of term loan principal on April 13, 2017 (together with all accrued and unpaid interest, but without application of any make-whole amount or repayment premium) and reduced the outstanding amount of the term loan from \$US 61.5 million to \$US 57.5 million. Concurrently, the remaining incremental term loan amount available for Eagle to draw at its option, prior to March 13, 2018, and by way of completing a Notice of Borrowing, was increased from \$US 3.5 million to \$US 7.5 million.

The following lists the key terms of the Loan Agreement between Eagle and White Oak after giving effect to the First Amendment:

- 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 – The Borrowing Base is re-determined quarterly and becomes effective when the new Borrowing Base notice is received from White Oak. Such Borrowing Base remains in effect until the next Borrowing Base redetermination. The quarterly borrowing base redeterminations are effective for Eagle and White Oak on March 15, June 15, September 15 and December 15 of each year, commencing September 15, 2017. For purposes of quarterly Borrowing Base redeterminations, Eagle will provide White Oak with quarterly reserve reports with effective dates of December 31, March 31, June 30 and September 30, commencing June 30, 2017. Failure of Eagle to provide a quarterly reserve report constitutes an immediate Event of Default.

Upon receipt by White Oak of the quarterly reserve report (and other reports, data and supplemental information as may be reasonably requested), White Oak will evaluate the information and propose a new Borrowing Base based upon an advance rate of 75% of the proved developed producing reserves value, discounted at 10% (“**PDP PV10 reserves value**”). The forward pricing used to calculate the PDP PV10 reserves value is based on 48 months of NYMEX futures contracts and is defined in the Loan Agreement.

In the event that a Borrowing Base redetermination results in the outstanding principal of the term loan exceeding the Borrowing Base then in effect (“**Term Loan Excess**”), then, after receiving a new Borrowing Base Notice of such new or adjusted Borrowing Base (such date of receipt of notice being the “**Borrowing Base Notification Date**”), Eagle will, no later than twenty (20) business days from the Borrowing Base Notification Date, repay an amount equal to (A) the then applicable Term Loan Excess plus (B) 2% of the aggregate principal amount of any such repayment. If Eagle fails to pay the amount under (B), then that amount bears interest until paid in full at a rate of LIBOR plus 13% per annum. A non-payment by Eagle when and as required of amounts to be paid or repaid would constitute an immediate Event of Default.

- 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. Notwithstanding the foregoing, for the purposes of determining the Consolidated Leverage Ratio, (i) Consolidated Adjusted EBITDAX for the four fiscal quarter period ending June 30, 2017, shall be deemed equal to Consolidated Adjusted EBITDAX for the fiscal quarter ending June 30, 2017 multiplied by 4, (ii) Consolidated Adjusted EBITDAX for the four fiscal quarter period ending on September 30, 2017 shall be deemed equal to Consolidated Adjusted EBITDAX for the two fiscal quarter period then ending multiplied by 2 and (iii) Consolidated Adjusted EBITDAX for the four fiscal quarter period ending on December 31, 2017 shall be deemed equal to Consolidated Adjusted EBITDAX for the three fiscal quarter period then ending multiplied by 4/3. 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).

As at March 31, 2017, the Consolidated Fixed Charge Ratio was calculated to be 3.02 to 1.00.

(c) Asset Coverage Ratio

As at the end of each fiscal quarter, commencing with a June 30, 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.

As at March 31, 2017, the Consolidated Current Ratio was calculated to be 1.72 to 1.00.

"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.

Violation of any financial covenant constitutes an immediate Event of Default under the Loan Agreement in which White Oak may, without notice or demand, do any or all of the following; terminate the loan, declare amounts immediately due and payable, stop advancing money or extending credit, settle or adjust disputes and claims directly with debtors, or make any payments and do any acts it considers necessary or reasonable to protect its collateral (including placing a hold on deposit accounts of Eagle and demanding and receiving possession of Eagle's books and records).

Working Capital

At March 31, 2017, Eagle had a working capital surplus, excluding the non-cash risk management liability, of approximately \$7.9 million and \$82.4 million drawn on its Loan Agreement. On April 13, 2017, Eagle prepaid \$US 4 million of term loan principal. See "Loan Agreement" above.

Shareholders' Equity, Dividends and Outstanding Share Data

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 was 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 approximately 155% of Eagle's 2017 expected funds flow from operations. See "2017 Outlook". This decision makes the payment of a dividend neither sustainable nor sensible.

During the quarter, 287,682 RSUs and 117,846 PSUs vested and were settled through the issuance of 405,529 common shares from treasury with a value of \$239,000.

At March 31, 2017, Eagle had issued 42,857,152 shares (December 31, 2016 – 42,451,623).

Commitments

Eagle has committed to future payments as follows:

\$000's	Total	Less than 1 year	1 – 3 years
Operating leases ^{(1) (2) (3)}	2,997	785	445
Total contractual obligations	2,997	785	445

Notes:

- (1) On January 1, 2013, Eagle entered into a lease for office space in Calgary which originally had an approximate 61 month term from January 8, 2013 to February 7, 2018. In May 2016, the lease was amended to extend the lease term and decrease the annual basic rental charge. The new term began August 1, 2016 and terminates February 28, 2023. Total minimum lease payments during the term of the lease from August 1, 2016 through February 28, 2023 approximate \$3.1 million and include a leasehold improvement allowance up to \$0.2 million, with 71 months and approximately \$2.7 million remaining at March 31, 2017.
- (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. The lease expired on February 28, 2017.
- (3) Eagle entered into a lease in Houston on April 1, 2011, which originally had an approximate 30 month term from April 7, 2011 through September 30, 2013. On November 21, 2012, the lease was extended for an additional 63 month period from October 1, 2013 to December 31, 2017 and the premise space was expanded to incorporate additional square footage. Total minimum lease payments during the term of the lease include a leasehold improvement allowance of \$US 0.1 million, with 9 months and approximately \$US 0.2 million remaining at March 31, 2017. In \$CA the remaining future minimum lease payments approximate \$0.3 million translated at the exchange rate in effect at the balance sheet date of \$US 1 equal to \$CA 1.33.

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 86 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.

No Change in Internal Controls over Financial Reporting during the Period January 1, 2017 to March 31, 2017

During the period beginning on January 1, 2017 and ended on March 31, 2017, 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.

Critical Accounting Estimates and Judgments

There have been no changes made to Eagle’s critical accounting estimates and judgments for the first quarter of 2017. Further information about Eagle’s critical accounting estimates and judgments can be found in the notes to Eagle’s annual audited consolidated financial statements and MD&A for the year ended December 31, 2016.

Accounting Standards and Interpretations

The accounting policies followed in these Interim Financial Statements are consistent with those of the previous financial year, except for income tax expense for an interim period (which is based on an estimated average annual effective income tax rate).

There were no new or amended standards issued during the three months ended March 31, 2017 which are applicable to Eagle in future periods.

Note about Forward-Looking Statements

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

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

- Eagle’s loan with White Oak, including terms relating to maturity date, borrowing base redeterminations, future drawings, and financial covenant ratio calculations;
- Eagle replacing its entire \$70 million authorized bank credit facility in anticipation of a possible withdrawal of support from certain members of its existing syndicate of Canadian bank lenders;
- 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 and affords Eagle a partner that has capacity to provide additional financing to fund future acquisitions;

- Eagle's expectation that 2017 ending net debt will be \$73.5 million, thus affording Eagle approximately \$13 million in combined working capital and undrawn term loan availability at the end of 2017;
- 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 2017 capital budget, specific uses and relationship to 2017 expected funds flow from operations;
- Eagle's expectations regarding its 2017 full year average production, monthly operating costs and field netbacks (excluding hedges);
- Eagle's expectations regarding its 2017 funds flow from operations and sensitivity of this metric to changes in commodity prices, production and foreign exchange rates;
- Eagle's expectation that 2017 general and administrative expenses will be approximately 16% below 2016 levels; and
- Anticipated crude oil, NGLs and natural gas production weighting.

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 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 in 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 and terms 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, exchange rates, financing terms, 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.

Condensed Consolidated Interim Financial Statements
(in Canadian dollars) (unaudited)

For the three months ended March 31, 2017 and March 31, 2016

Eagle Energy Inc.

Condensed Consolidated Interim Balance Sheets

(Thousands of Canadian dollars) (unaudited)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		10,938	-
Trade and other receivables		7,132	8,035
Prepaid expenses		749	1,267
		18,819	9,302
Non-current assets			
Exploration and evaluation assets	11	998	1,007
Oil and gas properties	12	214,043	207,621
Property, plant and equipment		91	106
		215,132	208,734
Total Assets		233,951	218,036
LIABILITIES			
Current liabilities			
Trade and other payables		10,966	6,803
Dividends payable		-	212
Risk management liability	4	508	6,498
Debt	13	-	61,082
		11,474	74,595
Non-current liabilities			
Debt	13	77,519	-
Decommissioning liability	14	26,840	26,202
		104,359	26,202
Total Liabilities		115,833	100,797
SHAREHOLDERS' EQUITY			
Share capital	15	320,251	320,012
Currency reserves		35,206	35,372
Contributed surplus	7	480	552
Deficit		(237,819)	(238,697)
Total Shareholders' Equity		118,118	117,239
Total Liabilities and Shareholders' Equity		233,951	218,036

The notes are an integral part of these condensed consolidated interim financial statements. See note 16 "Commitments" and note 17 "Subsequent Event".

Eagle Energy Inc.

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

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

	Note	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Revenue		18,222	11,653
Royalties		(4,004)	(2,554)
		14,218	9,099
Operating expenses		6,698	5,656
Transportation and marketing expenses		467	609
Administrative expenses		2,387	3,646
Depreciation, depletion and amortization		4,946	5,417
Operating loss		(280)	(6,229)
Share-based compensation expense (recovery)	7	176	(154)
Finance expense	9	1,432	893
Risk management gain	4	(3,971)	(593)
Foreign exchange loss net	8	-	2
Foreign exchange loss on intercompany loan	8	780	5,336
Earnings (loss) before taxes		1,303	(11,713)
Income tax expense (recovery)		-	-
Earnings (loss)		1,303	(11,713)
Foreign currency translation loss		(166)	(138)
Comprehensive earnings (loss)		1,137	(11,851)
Earning (loss) per share	10		
Basic and diluted		0.03	(0.29)

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

Eagle Energy Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Thousands of Canadian dollars) (unaudited)

	Note	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Share Capital			
Balance, beginning of period		320,012	315,379
Issuance of share capital due to acquisition		-	5,539
Issuance of share capital		239	-
Share issue costs		-	(890)
Balance, end of period		320,251	320,028
Currency Reserves			
Balance, beginning of period		35,372	35,615
Foreign currency translation loss		(166)	(138)
Balance, end of period		35,206	35,477
Contributed Surplus			
Balance, beginning of period		552	-
Share-based payments	7	(72)	48
Balance, end of period		480	48
Deficit			
Balance, beginning of period		(238,697)	(244,435)
Earnings (loss)		1,303	(11,713)
Cancellation of shares pursuant to NCIB		-	-
Dividends		(425)	(1,486)
Balance, end of period		(237,819)	(257,634)

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

Eagle Energy Inc.

Condensed Consolidated Interim Cash Flow Statements

(Thousands of Canadian dollars) (unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities		
Earnings (loss)	1,303	(11,713)
Adjustments for non-cash items:		
Depreciation, depletion and amortization	4,946	5,417
Share-based compensation – non-cash portion	167	(179)
Unrealized risk management loss (gain)	(5,900)	2,734
Foreign exchange loss on intercompany loan	780	5,336
Finance expense	295	247
Amortization of leasehold inducement	(2)	-
Administrative expenses - non-cash portion	-	325
Funds flow from operations	1,589	2,167
Changes in working capital:		
Trade and other receivables	2,325	(33)
Prepaid expenses	510	682
Trade and other payables	2,684	(3,422)
Working capital acquired	-	143
	5,519	(2,630)
Net cash generated by (used in) operating activities	7,108	(463)
Cash flows from investing activities		
Exploration and evaluation	-	(5)
Oil and gas properties	(11,818)	(1,897)
Property, plant and equipment	(4)	(336)
Change in non-cash working capital	1,508	-
Net cash used in investing activities	(10,314)	(2,238)
Cash flows from financing activities		
Repayment of current debt	(61,082)	-
Proceeds from long term debt	82,221	2,095
Share issue costs	-	(890)
Cash dividends to shareholders	(425)	(1,486)
Deferred financing charges	(4,870)	(35)
Change in non-cash working capital	(212)	(98)
Net cash generated by (used in) financing activities	15,632	(414)
Net increase (decrease) in cash and cash equivalents	12,426	(3,115)
Effects of exchange rates on cash and cash equivalents	(1,488)	26
Cash at beginning of the period	-	3,089
Cash at end of the period	10,938	-

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

Eagle Energy Inc.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For the three months ended March 31, 2017 and March 31, 2016

(in Canadian dollars)

1. Reporting Entity / Structure of Eagle Energy Inc.

On January 27, 2016, Eagle Energy Trust closed the 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”. Refer to 5 “Business Combination”.

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

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

2.1. Basis of Preparation

The foreign exchange rate at March 31, 2017 was \$US 1.00 equal to \$CA 1.33 (December 31, 2016 - \$US 1.00 equal to \$CA 1.34), and the average foreign exchange rate for the three months ended March 31, 2017 was \$US 1.00 equal to \$CA 1.32 (for the three months ended March 31, 2016 - \$US 1.00 equal to \$CA 1.37).

Basis of Accounting

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors made on May 11, 2017.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) applicable to the preparation of interim financial statements, including IAS 34, interim Financial Reporting and have been prepared following the same accounting policies as the annual audited IFRS consolidated financial statements for the year ended December 31, 2016, except for income tax expense for an interim period (which is based on an estimated average annual effective income tax rate). Certain prior period amounts have been reclassified to conform to current period presentations. The condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

2.2. Changes in Accounting Policy and Disclosures

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year.

2.3. Accounting Pronouncements not yet Adopted

Revenue from Contracts with Customers

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

3. Critical Accounting Estimates and Judgments

The critical accounting estimates and judgments followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year. Further information about Eagle's critical accounting estimates and judgments can be found in the notes to Eagle's annual audited consolidated financial statements and MD&A for the year ended December 31, 2016.

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 changes in Eagle's exposure to each of the above risks since the year ended December 31, 2016.

Credit Risk

At March 31, 2017, there was no material change in credit risk compared to the December 31, 2016 year end.

Liquidity Risk

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 \$86 million (the March 31, 2017 Canadian dollar equivalent of \$US 65 million) of financing (the "**Loan Agreement**"). Headquartered in San Francisco, White Oak is an SEC-registered investment adviser with assets under management of approximately \$US 3 billion.

Draws under the Loan Agreement are subject to quarterly covenant calculations which are directly impacted by commodity price and foreign exchange rate fluctuations. The amount available under the Loan Agreement is subject to quarterly borrowing base determinations which are directly impacted by the value of the oil and natural gas reserves. See note 13 "Debt".

At March 31, 2017, the Company had a working capital surplus, excluding the risk management liability, of approximately \$7.9 million, with \$82.4 million (the March 31, 2017 Canadian dollar equivalent of \$US 61.5 million)

drawn under the Loan Agreement with the option to draw, by way of a Notice of Borrowing, the remaining incremental amount of \$US 3.5 million prior to March 13, 2018.

The following were the contractual undiscounted maturities of financial liabilities, including estimated interest payments, as applicable, at March 31, 2017:

\$000's	Carrying amount	Contractual cash flows	Less than one year	One - two years	Three - five years	More than five years
Trade and other payables	10,966	10,966	10,966	-	-	-
Risk management liability	508	508	508	-	-	-
Dividends payable	-	-	-	-	-	-
Debt	82,381	82,381	-	-	82,381	-
Interest	-	27,729	6,936	13,869	6,924	-
	93,855	121,584	18,410	13,869	89,305	-

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	Three - 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	-	-	-

Market Risk

Commodity Price Risk - Summary of Unrealized Risk Management Positions

As at March 31, 2017, 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)	375	bbls/d	Jan-17	Dec-17	45.10	45.10	(904)	-
NYMEX (i)	750	bbls/d	Jan-17	Dec-17	52.00	52.00	84	-
NYMEX (i)	500	bbls/d	Jan-17	Dec-17	53.40	53.40	312	-
Commodity - unrealized risk management liability							(508)	-

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

As at December 31, 2016, Eagle had entered into the following financial contracts to mitigate the effects of fluctuating prices on a portion of its production:

	<i>Volume</i>	<i>Measure</i>	<i>Beginning</i>	<i>Term</i>	<i>Floor \$US</i>	<i>Ceiling \$US</i>	<i>Current fair value \$CA 000's</i>	<i>Non- current fair value \$CA 000's</i>
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).

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

	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)
\$000's						
Net effect - risk management	1,929	(5,900)	(3,971)	(3,327)	2,734	(593)

Foreign Exchange Risk

Foreign exchange risk is the risk that future cash flows and debt repayment amounts 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 U.S. 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. Eagle's debt under its Loan Agreement is U.S. dollar denominated, and the interest payments are denominated in U.S. dollars, therefore fluctuations in the value of the \$CA as compared to the \$US will have an impact on the value of the outstanding debt and the \$CA equivalent amount of the interest payments.

5. Business Combination

Pursuant to the January 27, 2016 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.

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

6. 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:

\$000's	Three Months Ended March 31, 2017			
	Canada	United States	Corporate	Total
Capital expenditures	6,476	5,336	4	11,816
Revenue	7,642	10,580	-	18,222
Royalties	(1,119)	(2,885)	-	(4,004)
	6,523	7,695	-	14,218
Operating expenses	(3,040)	(3,658)	-	(6,698)
Transportation and marketing expenses	(435)	(32)	-	(467)
Administrative expenses - cash portion	-	-	(2,387)	(2,387)
Cash settled award payments	-	-	(9)	(9)
Risk management loss - realized	-	-	(1,929)	(1,929)
Finance expense - cash portion	-	-	(1,137)	(1,137)
Amortization of leasehold inducement	-	-	(2)	(2)
Funds flow from operations	3,048	4,005	(5,464)	1,589

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

\$000's	Three Months Ended March 31, 2017			
	Canada	United States	Corporate	Total
Funds flow from operations	3,048	4,005	(5,464)	1,589
Share-based compensation - non-cash portion	-	-	167	167
Risk management gain - unrealized	-	-	(5,900)	(5,900)
Depreciation, depletion and amortization	1,454	3,492	-	4,946
Foreign exchange loss on intercompany loan	-	-	780	780
Finance expense - non-cash portion	-	-	295	295
Amortization of leasehold inducement	-	-	(2)	(2)
Earnings (loss)	1,594	513	(804)	1,303

\$000's	Three Months Ended March 31, 2016			
	Canada	United States	Corporate	Total
Capital expenditures	48	2,190	-	2,238
Revenue	4,679	6,974	-	11,653
Royalties	(574)	(1,980)	-	(2,554)
	4,105	4,994	-	9,099
Operating expenses	(2,487)	(3,169)	-	(5,656)
Transportation and marketing expenses	(594)	(15)	-	(609)
Administrative expenses - cash portion	-	-	(3,321)	(3,321)
Cash settled award payments	-	-	(25)	(25)
Risk management gain - realized	-	-	3,327	3,327
Finance expense - cash portion	-	-	(646)	(646)
Realized foreign exchange loss	-	-	(2)	(2)
Funds flow from operations	1,024	1,810	(667)	2,167

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

\$000's	Three Months Ended March 31, 2016			
	Canada	United States	Corporate	Total
Funds flow from operations	1,024	1,810	(667)	2,167
Administrative expense - non-cash portion	-	-	325	325
Share-based compensation - non-cash portion	-	-	(179)	(179)
Risk management loss - unrealized	-	-	2,734	2,734
Depreciation, depletion and amortization	1,582	3,835	-	5,417
Foreign exchange gain on intercompany loan	-	-	5,336	5,336
Finance expense - non-cash portion	-	-	247	247
Loss	(558)	(2,025)	(9,130)	(11,713)

Total assets of Eagle's reportable segments at March 31, 2017 were as follows:

\$000's	Three Months Ended March 31, 2017			
	Canada	United States	Corporate	Total
Total Assets	113,311	120,640	-	233,951

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

\$000's	Three Months Ended March 31, 2016			
	Canada	United States	Corporate	Total
Total Assets	109,748	83,922	6,038	199,708

7. Share-based Payments

The Company has a long-term equity compensation incentive plan (the "2016 Equity Incentive Plan") under which Restricted Share Units ("RSUs") and Performance Share Units ("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 Restricted Unit Rights ("RUR") agreements that were previously in place were adjusted to reference shares, but otherwise entitle holders to identical terms and conditions.

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

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

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

\$000's	Note	Three Months Ended March 31 2017	Three Months Ended March 31, 2016
RSUs and PSUs	7(a)	167	48
Share Options	7(b)	-	(183)
RURs	7(c)	9	19
URs	7(d)	-	(38)
Total share-based compensation expense (recovery)		176	(154)

The following table shows the continuity of contributed surplus:

	March 31, 2017	December 31, 2016
Balance, beginning of period	552	-
Share-based compensation	167	552
RSUs and PSUs vested and settled	(239)	-
Balance, end of period	480	552

Note 7(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 measurable, 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 either shares or cash (or a combination thereof) after deduction of any applicable withholding taxes. If the vested RSUs and PSUs are settled in shares, the fair market value of the shares is based on the volume weighted average trading price per share for the total shares of Eagle that were sold into the market to cover the applicable withholding taxes. If the vested RSUs and PSUs are settled in cash, the 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 is 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 March 31, 2017, there were 1,849,180 RSUs and 725,441 PSUs granted 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 and for accounting purposes, 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. As at March 31, 2017, the estimated weighted average fair value for RSUs at their measurement dates (their grant dates) is \$0.65 per RSU outstanding. During the quarter, 287,682 RSUs vested and were settled through the issuance of 287,682 common shares from treasury.

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

	Three Months Ended March 31, 2017	Year Ended December 31, 2016	Three Months Ended March 31, 2016
Balance, beginning of period	1,836,579	-	-
Issued	256,220	1,834,750	861,350
Vested/Settled	(287,682)	-	-
Dividend equivalent rights	44,066	100,135	10,014
Forfeited	(3)	(98,306)	-
Balance, end of period	1,849,180	1,836,579	871,364
Number of RSUs vested	-	-	-

With respect to the PSUs, and for accounting purposes, 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 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. At March 31, 2017, the estimated weighted average fair value for PSUs at the measurement date (March 31, 2017) is \$0.46 per PSU outstanding. During the quarter, 117,846 PSUs vested, the Board set the associated multiplier at one, and the vested PSUs were settled through the issuance of 117,846 common shares from treasury.

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

	Three Months Ended March 31, 2017	Year Ended December 31, 2016	Three Months Ended March 31, 2016
Balance, beginning of period	721,031	-	-
Issued	104,958	733,250	365,150
Vested/Settled	(117,846)	-	-
Dividend equivalent rights	17,300	41,102	4,245
Forfeited	(2)	(53,321)	-
Balance, end of period	725,441	721,031	369,395
Number of PSUs vested	-	-	-

Note 7(b)**2010 Option Plan**

Pursuant to the Arrangement, the unit option plan of the Trust that was adopted in 2010 became a stock option plan of Eagle, with such amendments thereto as was necessary to reflect the status of Eagle 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:

	Three Months Ended March 31, 2017		Year Ended December 31, 2016		Three Months Ended March 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	-	-	3,159,418	5.54	3,159,418	5.54
Cancelled	-	-	(3,159,418)	5.48	(141,668)	5.54
Exercised	-	-	-	-	-	-
Granted	-	-	-	-	-	-
Outstanding at end of period	-	-	-	-	3,017,750	5.50
Exercisable at end of period	-	-	-	-	2,476,426	5.59

No options were outstanding at either March 31, 2017 or December 31, 2016. The March 31, 2016 fair value of the options was estimated using the Black-Scholes valuation model and using the same inputs as December 31, 2015 (other other than a closing share price assumption of \$0.84 per share as compared to \$1.14 per share at December 31, 2015). Based on these assumptions, the fair value at the March 31, 2016 balance sheet was nil per option.

Note 7(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.

On March 13, 2017, Eagle announced the suspension of its dividend following the payment of its February 2017 dividend, which was paid on March 23, 2017. Accordingly, the March 31, 2017 payment to the holders of the RURs will be the final payment of amounts due under the RUR agreement unless or until dividend payments are reinstated.

For the three months ended March 31, 2017, \$9,483 has been paid to the RUR holders (year ended December 31, 2016 - \$62,496, three months ended March 31, 2016 - \$24,809).

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

	Three Months Ended March 31, 2017		Year Ended December 31, 2016		Three Months Ended March 31, 2016	
Balance, beginning of period	632,500		632,500		632,500	
Issued	-		-		-	
Forfeited	-		-		-	
Balance, end of period	632,500		632,500		632,500	
Number of RURs vested	632,500		632,500		632,500	

The March 31, 2017 fair value of the RURs was estimated using the Black-Scholes valuation model and using the same inputs as December 31, 2016 (other than a 5-day volume weighted average share price assumption of \$0.46 per share as compared to \$0.77 per share at December 31, 2016). Based on these assumptions, the fair value at the March 31, 2017 balance sheet was \$nil per RUR (December 31, 2016 - \$nil per RUR, March 31, 2016 - \$nil per RUR).

Note 7(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. Accordingly, no amounts have been paid during for the three months ended March 31, 2017 (year ended December 31, 2016 - \$nil, three months ended March 31, 2016 - \$nil).

The following schedule shows the continuity of cash settled URs:

	Three Months Ended March 31, 2017	Year Ended December 31, 2016	Three Months Ended March 31, 2016
Balance, beginning of period	-	653,500	653,500
Issued	-	-	-
Forfeited	-	(653,500)	(653,500)
Balance, end of period	-	-	-
Number of URs vested	-	-	-

8. Foreign Exchange

Eagle has recognized the following in the statement of earnings (loss) due to foreign currency fluctuations:

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net loss arising on settlement of foreign currency transactions arising out of operating activities	-	2
Foreign exchange loss on intercompany loan	780	5,336
Foreign exchange loss net	780	5,338

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

\$000's	As at March 31, 2017	As at March 31, 2016
Beginning balance	35,372	35,615
Foreign currency translation gain (loss)	(166)	(138)
Ending balance	35,206	35,477

9. Finance Expense

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Interest expense on debt	1,100	557
Standby and bank fees	37	89
Accretion of decommissioning provision	120	132
Amortization of deferred financing costs	175	115
Finance expense	1,432	893

10. Earnings (Loss) per Share

\$000's	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Earnings (loss) attributable to shareholders	1,303	(11,713)
Weighted average number of shares outstanding – basic (000's)	42,483	40,200
Weighted average number of shares outstanding – diluted (000's)	44,333	40,200
Earnings (loss) per share - basic	0.03	(0.29)
Earnings (loss) per share - diluted	0.03	(0.29)

11. Exploration and Evaluation Assets

\$000's	
Balance at December 31, 2015	1,033
Additions	5
Foreign Exchange adjustment	(31)
Balance at December 31, 2016	1,007
Additions	-
Transferred to oil and gas properties	-
Expense	-
Foreign exchange adjustment	(9)
Balance at March 31, 2017	998

12. Oil and Gas Properties

\$000's	
Cost:	
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
Additions	11,812
Decommissioning obligation additions and change in estimates	551
Effects of foreign exchange	(3,080)
Balance at March 31, 2017	493,630
Depletion, depreciation and impairment:	
Balance at December 31, 2015	(297,683)
Depletion and depreciation	(20,898)
Impairment	34,567
Effects of foreign exchange	7,288
Balance at December 31, 2016	(276,726)
Depletion and depreciation	(4,923)
Impairment, net	-
Effects of foreign exchange	2,062
Balance at March 31, 2017	(279,587)
Net book value:	
At December 31, 2016	207,621
At March 31, 2017	214,043

Eagle does not capitalize general and administrative costs. Future development costs related to proved plus probable reserves of \$56.4 million (December 31, 2016 - \$65.1 million) were included in the depletion calculation. 2016 "Acquisitions" refer to the Maple Leaf acquisition. See note 5 "Business Combination".

13. 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 which provides up to \$86 million (the March 31, 2017 Canadian dollar equivalent of \$US 65 million) of financing under the Loan Agreement. Headquartered in San Francisco, White Oak is an SEC-registered investment adviser with assets under management of approximately \$US 3 billion.

At March 31, 2017, Eagle had drawn approximately \$82.4 million (the March 31, 2017 Canadian dollar equivalent of \$US 61.5 million) under the Loan Agreement with the option to draw, by way of a Notice of Borrowing, the remaining incremental amount of \$US 3.5 million prior to March 13, 2018.

The details of Eagle's debt were as follows:

\$000's	March 31, 2017	December 31, 2016
Amount drawn	82,381	61,245
Less deferred financing charges	(4,862)	(163)
Debt	77,519	61,082

At March 31, 2017 and December 31, 2016 there were no covenant violations under or in connection with the Loan Agreement. Draws under the Loan Agreement are subject to quarterly covenant calculations which are directly impacted by commodity price and foreign exchange rate fluctuations. The amount available under the Loan Agreement is subject to quarterly borrowing base determinations which are directly impacted by the value of the oil and natural gas reserves.

Effective March 31, 2017, Eagle and White Oak entered into the first amendment to the Loan Agreement ("**First Amendment**"). The purpose was to amend both the first test date for the quarterly Asset Coverage Ratio and the first scheduled date for the quarterly Borrowing Base redetermination to commence with a reserve report effective date of June 30, 2017 instead of March 31, 2017. The commencement dates for the Asset Coverage Ratio and the Borrowing Base redetermination are now consistent with the commencement date of the quarterly Consolidated Leverage Ratio.

In addition, and pursuant to the First Amendment, Eagle prepaid \$US 4.0 million of term loan principal on April 13, 2017 (together with all accrued and unpaid interest, but without application of any make-whole amount or repayment premium) and reduced the outstanding amount of the term loan from \$US 61.5 million to \$US 57.5 million. Concurrently, the remaining incremental term loan amount available for Eagle to draw at its option, prior to March 13, 2018, and by way of a Notice of Borrowing, was increased from \$US 3.5 million to \$US 7.5 million.

The following lists the key terms of the Loan Agreement between Eagle and White Oak after giving effect to the First Amendment:

- 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 - The Borrowing Base is re-determined quarterly and becomes effective when the new Borrowing Base notice is received from White Oak. Such Borrowing Base remains in effect until the next Borrowing Base redetermination. The quarterly borrowing base redeterminations are effective for Eagle and White Oak on March 15, June 15, September 15 and December 15 of each year, commencing September 15, 2017. For purposes of quarterly Borrowing Base redeterminations, Eagle will provide White Oak with quarterly reserve reports with effective dates of December 31, March 31, June 30 and September 30, commencing June 30, 2017. Failure of Eagle to provide a quarterly reserve report constitutes an immediate Event of Default.

Upon receipt by White Oak of the quarterly reserve report (and other reports, data and supplemental information as may be reasonably requested), White Oak will evaluate the information and propose a new Borrowing Base based upon an advance rate of 75% of the proved developed producing reserves value, discounted at 10% ("**PDP PV10 reserves value**"). The forward pricing used to calculate the PDP PV10 reserves value is based on 48 months of NYMEX futures contracts and is defined in the Loan Agreement.

In the event that a Borrowing Base redetermination results in the outstanding principal of the term loan exceeding the Borrowing Base then in effect ("**Term Loan Excess**"), then, after receiving a new Borrowing Base Notice of such new or adjusted Borrowing Base (such date of receipt of notice being the "**Borrowing Base Notification Date**"), Eagle will, no later than twenty (20) business days from the Borrowing Base Notification Date, repay an amount equal to (A) the then applicable Term Loan Excess plus (B) 2% of the aggregate principal amount of any such repayment. If Eagle fails to pay the amount under (B), then that amount bears interest until paid in full at a rate of LIBOR plus 13% per annum. A non-payment by Eagle when and as required of amounts to be paid or repaid would constitute an immediate Event of Default.

- 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. Notwithstanding the foregoing, for the purposes of determining the Consolidated Leverage Ratio, (i) Consolidated Adjusted EBITDAX for the four fiscal quarter period ending June 30, 2017, shall be deemed equal to Consolidated Adjusted EBITDAX for the fiscal quarter ending June 30, 2017 multiplied by 4, (ii) Consolidated Adjusted EBITDAX for the four fiscal quarter period ending on September 30, 2017 shall be deemed equal to Consolidated Adjusted EBITDAX for the two fiscal quarter period then ending multiplied by 2 and (iii) Consolidated Adjusted EBITDAX for the four fiscal quarter period ending on December 31, 2017 shall be deemed equal to Consolidated Adjusted EBITDAX for the three fiscal quarter period then ending multiplied by 4/3. 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 June 30, 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.

Violation of any financial covenant constitutes an immediate Event of Default under the Loan Agreement in which White Oak may, without notice or demand, do any or all of the following; terminate the loan, declare amounts immediately due and payable, stop advancing money or extending credit, settle or adjust disputes and claims directly with debtors, or make any payments and do any acts it considers necessary or reasonable to protect its collateral (including placing a hold on deposit accounts of Eagle and demanding and receiving possession of Eagle’s books and records).

14. Decommissioning Liability

\$000's	Three Months Ended March 31, 2017	Year Ended December 31, 2016
Beginning balance	26,202	26,998
Acquisition	-	73
Additions	392	29
Change in estimate due to acquired properties	-	180
Other changes in estimates	128	(1,427)
Accretion (unwinding of discount)	120	458
Effects of exchange rate	(2)	(109)
Ending balance	26,840	26,202

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 upon various items 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 March 31, 2017 of 1.63% for the Salt Flat, Hardeman, Twining and NW Alberta properties (December 31, 2016 - 1.72%), and 2.31% for the Dixonville properties (December 31, 2016 - 2.3%).

15. Share Capital

Eagle has an unlimited number of common shares authorized for issuance. At March 31, 2017, the shares outstanding were as follows:

Shares Outstanding

	Three Months Ended March 31, 2017		Year Ended December 31, 2016	
	Number of shares (000's)	Amount (\$000's)	Number of shares (000's)	Amount (\$000's)
Beginning balance	42,451	320,012	34,863	315,379
Issuance of shares pursuant to the Business Combination (Note 5)	-	-	7,588	5,539
Issuance of shares pursuant to the RSUs and PSUs	406	239	-	-
Share issuance costs	-	-	-	(906)
Ending balance	42,857	320,251	42,451	320,012

On January 27, 2016, as part of the Arrangement, Eagle issued 7.6 million shares valued at \$0.73 per share for a total value of \$5.5 million (see note 5 "Business Combination"). Costs associated with issuing shares pursuant to the Arrangement were approximately \$890,000.

On March 24, 2017, 405,529 shares were issued pursuant to the 2016 Equity Incentive Plan. Refer to note 7, "Share-based Payments".

16. 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, the lease was amended to extend the lease term and decrease the annual basic rental charge. The new term began August 1, 2016 and terminates February 28, 2023. Total minimum lease payments during the term of the lease from August 1, 2016 through February 28, 2023 approximate \$3.1 million and include a leasehold improvement allowance up to \$0.2 million, with 71 months and approximately \$2.7 million remaining at March 31, 2017.

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. The lease expired on February 28, 2017.

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 with 9 months and approximately \$US 0.2 million remaining at March 31, 2017. In \$CA, the remaining future minimum lease payments approximate \$0.3 million translated at the exchange rate in effect at the balance sheet date of \$US 1 equal to \$CA 1.33.

17. Subsequent Event

On April 13, 2017, and pursuant to the First Amendment, Eagle prepaid \$US 4.0 million of term loan principal (together with all accrued and unpaid interest, but without application of any make-whole amount or repayment premium), and reduced the outstanding amount of the term loan from \$US 61.5 million to \$US 57.5 million. Concurrently, the remaining incremental term loan amount available for Eagle to draw at its option, prior to March 13, 2018, and upon Eagle completing a Notice of Borrowing, was increased from \$US 3.5 million to \$US 7.5 million.

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. Tomin
Chief Financial Officer

M. Scott Lovett
Executive Vice President, Business Development

Jo-Anne M. Bund
General Counsel and Corporate Secretary

TSX:EGL

Auditors

PricewaterhouseCoopers LLP

Trustee and Transfer Agent

Computershare Trust Company of Canada

Engineering Consultants

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

Legal Counsel

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