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2017 Financial Report

EAGLE ENERGY™
INC.

Management's Discussion and Analysis

March 20, 2018

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations for Eagle Energy Inc. ("**Eagle**"), dated March 20, 2018, should be read in conjunction with Eagle's audited consolidated financial statements (the "**Financial Statements**") and accompanying notes for the year ended December 31, 2017 and Eagle's Annual Information Form dated March 20, 2018 ("**AIF**"), which are available online under Eagle's issuer profile at www.sedar.com and on Eagle's website at www.EagleEnergy.com.

The 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 Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of Eagle.

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

The foreign exchange rate at December 31, 2017 was $US 1.00 equal to $CA 1.25 (December 31, 2016 - $US 1.00 equal to $CA 1.34), and the average foreign exchange rate for the year ended December 31, 2017 was $US 1.00 equal to $CA 1.30 (for the year ended December 31, 2016 - $US 1.00 equal to $CA 1.32).

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

Highlights for the Year ended December 31, 2017

Eagle closed out 2017 with strong reserve metrics, production and monthly operating costs within its guidance range and capital expenditures at budgeted levels. Eagle achieved the following results in 2017:

- Successfully drilled, completed and brought on production Eagle's first horizontal well on its North Texas property, with production results exceeding expectations.

- Posted reserve replacement ratios of 274% and 227% on a proved plus probable and proved basis, respectively.

- Reduced general and administrative costs by 25% year-over-year, including reductions in executive compensation.

- Grew funds flow from operations excluding risk management gains (losses) by 49% year-over-year (from $9.7 million to $14.5 million).

- Recorded 2017 funds flow from operations of $12.7 million.

Sale of Salt Flat Field in Texas and Reduction of Debt

- On February 8, 2018, Eagle announced that it sold its oil and gas interests in the Salt Flat Field located in Caldwell County, Texas for approximately $33.3 million cash, subject to customary post-closing adjustments.

- Eagle used the net proceeds from the sale to reduce its term loan by 34% (from $US 58.2 million to $US 38.5 million) and to further fund its drilling program in North Texas.

2018 Outlook

This outlook section is intended to provide shareholders with information about Eagle's expectations for 2018. 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. Readers are cautioned that the information may not be appropriate for any other purpose.

Eagle remains focused on continuing to drill wells on its North Texas property due to its high netbacks and opportunities for meaningful growth. This light oil development asset has approximately 25,000 net acres under lease and is the site of Eagle's first horizontal well in North Texas, which continues to perform above expectations. At present, Eagle is moving a drilling rig to a second horizontal location over 10 miles from the first horizontal well. Success on this second well would prove up additional leased acreage in the area. A third horizontal well is planned for late 2018.

In light of our view of the growth opportunities in our North Texas asset, Eagle is seeking to reduce debt and corporate costs, including interest costs, in order to better position itself to capitalize this opportunity. Alternatives for funding growth potentially include asset sales. The February 8, 2018 sale of Eagle's assets in the Salt Flat field was an initial step towards Eagle achieving its overall goals.

The sale of the Salt Flat field reduced Eagle's total corporate production by approximately 1,200 barrels of oil equivalent ("**boe**") per day ("**boe/d**"). Following the sale of the Salt Flat field, an improved corporate decline rate of 14% lends itself to Eagle sustaining 2018 average corporate production at post-Salt Flat disposition levels with low capital expenditures.

The sale of the Salt Flat field also reduced Eagle's term loan by 34% (from $US 58.2 million to $US 38.5 million). On a go-forward basis, and excluding one-time interest charges relating to the sale, the lower level of debt at current interest rates will result in reduced monthly interest costs. In addition, general and administrative expenses are expected to decrease in 2018 as Eagle continues to focus on efficiencies and cost reduction.

2017 Year-end Reserves Information

An independent evaluation of Eagle's U.S. reserves was conducted by Netherland, Sewell & Associates, Inc. and of Eagle's Canadian reserves by McDaniel & Associates Consultants Ltd. These reserves evaluation reports are effective December 31, 2017 and were prepared in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Details regarding Eagle's reserves and oil and gas assets are set forth in Eagle's AIF.

2017 Year-End Reserves Report – Highlights (based on Company Gross reserves)

- Grew year-over-year proved reserves by 11% and proved plus probable reserves by 10%.
- Achieved year-end proved plus probable reserves of 23.2 million boe (68% total proved, 47% proved developed producing).
- Crude oil comprises 92% of proved developed producing reserves.
- Posted reserve replacement ratios of 274% and 227% on a proved plus probable and proved basis, respectively.
- Increased the reserve life indices to 17.7 years and 12.1 years on a proved plus probable and proved basis, respectively.

The following tables summarize the independent reserves estimates and values of Eagle's reserves as at December 31, 2017. (For information regarding Eagle's reserves estimates and values excluding the Salt Flat properties, see "Reserves Data Excluding the Salt Flat Properties" in the AIF.

Summary of Reserves

Canadian Operations	**Company Gross**[1][2]				
Reserves Categories	**Crude Oil**	**Natural Gas Liquids**	**Natural Gas**	**Total Oil Equivalent 2017**	**Total Oil Equivalent 2016**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)	(Mboe)
Proved					
Developed producing	6,966	125	3,311	7,643	7,976
Developed non-producing	61	19	458	156	150
Undeveloped	1,864	188	4,450	2,793	1,185
Total proved	8,891	332	8,219	10,593	9,311
Total probable	3,710	147	3,631	4,463	4,602
Total proved plus probable	12,601	479	11,850	15,055	13,914

US Operations	**Company Gross**[1][2]				
Reserves Categories	**Crude Oil**	**Natural Gas Liquids**	**Natural Gas**	**Total Oil Equivalent 2017**	**Total Oil Equivalent 2016**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)	(Mboe)
Proved					
Developed producing	2,987	73	513	3,145	2,959
Developed non-producing	304	16	146	344	429
Undeveloped	1,429	128	1,211	1,759	1,475
Total proved	4,720	217	1,870	5,248	4,864
Total probable	2,348	211	1,996	2,892	2,132
Total proved plus probable	7,068	428	3,866	8,140	6,996

Total Company Operations	**Company Gross**[1][2]				
Reserves Categories	**Crude Oil**	**Natural Gas Liquids**	**Natural Gas**	**Total Oil Equivalent 2017**	**Total Oil Equivalent 2016**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)	(Mboe)
Proved					
Developed producing	9,953	198	3,824	10,789	10,935
Developed non-producing	365	35	604	500	579
Undeveloped	3,293	316	5,661	4,552	2,660
Total proved	13,611	549	10,089	15,841	14,175
Total probable	6,058	359	5,627	7,355	6,735
Total proved plus probable	19,669	907	15,716	23,196	20,910

Notes:

(1) Company gross reserves are Eagle's total working interest share before the deduction of any royalties and exclude Eagle's royalty interests.

(2) Totals may not add due to rounding.

Summary of Net Present Value of Future Net Revenue of Reserves

Canadian Operations	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)(1)(2)(3)				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**
$CA	($000's)	($000's)	($000's)	($000's)	($000's)
Proved					
Developed producing	221,014	134,582	94,758	73,285	60,145
Developed non-producing	2,068	1,673	1,303	1,017	806
Undeveloped	50,912	29,254	16,787	9,316	4,666
Total proved	273,994	165,509	112,847	83,618	65,617
Total probable	175,900	70,158	38,615	25,375	18,393
Total proved plus probable	449,894	235,668	151,462	108,992	84,009

US Operations	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)(1)(2)(3)				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**
$US	($000's)	($000's)	($000's)	($000's)	($000's)
Proved					
Developed producing	89,991	64,645	52,157	44,518	39,255
Developed non-producing	13,803	7,512	5,127	3,946	3,230
Undeveloped	36,149	26,298	19,808	15,267	11,949
Total proved	139,943	98,454	77,092	63,731	54,434
Total probable	89,247	58,752	42,434	32,318	25,503
Total proved plus probable	229,190	157,205	119,526	96,049	79,937

Total Company Operations	Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year)(1)(2)(3)				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**
$CA	($000's)	($000's)	($000's)	($000's)	($000's)
Proved					
Developed producing	330,003	213,498	158,808	128,201	108,738
Developed non-producing	18,526	10,708	7,513	5,821	4,753
Undeveloped	93,880	60,542	40,364	27,488	18,883
Total proved	442,409	284,748	206,685	161,509	132,374
Total probable	281,944	140,205	89,362	64,135	49,061
Total proved plus probable	724,353	424,953	296,047	225,644	181,435

Notes:

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

(2) The U.S. operations numbers have been converted into Canadian dollars using the following foreign exchange rates: 2018 - $CA 1.00 equal to $US 0.790; 2019 - $CA 1.00 equal to $US 0.790; 2020- $CA 1.00 equal to $US 0.800; 2021 - $CA 1.00 equal to $US 0.825; 2022 and thereafter - $CA 1.00 equal to $US 0.850 (as per McDaniel & Associates Consultants Ltd. January 1, 2018 price deck forecast).

(3) Totals may not add due to rounding.

At a 10% discount factor, proved developed producing reserves comprise 54% (2016 – 57%) of the proved plus probable value and proved reserves account for 70% (2016 – 71%) of the proved plus probable value.

Future Development Costs ("FDC")

Total future development costs are estimated at $77.3 million for total proved and $95.3 million for total proved plus probable reserves.

Reserves Performance Ratios

Eagle achieved the following capital efficiency statistics:

	2017		2016	
	Proved	Proved plus Probable	Proved	Proved plus Probable
Reserves – Company Gross (Mboe)	15,841	23,196	14,175	20,910
Capital Expenditures ($M)				
Exploration and Development ("**E&D**")[1][8]	24,256	24,256	5,771	5,771
Acquisition (Disposition)[2][8]	(105)	(105)	5,144	5,144
Total Capital Expenditures	24,151	24,151	10,915	10,915
Field Netbacks ($/boe)[3]				
Current Year	21.05	21.05	16.12	16.12
Finding, Development and Acquisition ("FD&A") Costs[4][8]				
Change in Future Development Costs ("**FDC**") ($M)	35,619	33,051	11,219	15,691
Reserve Additions – Company Gross (Mboe)	2,950	3,569	2,515	3,717
FD&A Costs including changes in FDC ($/boe)[4]	20.30	16.06	8.80	7.16
FD&A Costs excluding changes in FDC ($/boe)[4]	8.22	6.80	4.34	2.94
Recycle Ratio[5][8]	1.04	1.31	1.83	2.25
Reserves Replacement[6][8]	227%	274%	184%	272%
Reserves Life Index (yrs)[7][8]	12.1	17.7	10.4	15.3

Notes:

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

(2) Acquisition refers to the January 2016 acquisition of Maple Leaf Royalties Corp. Eagle closed a minor disposition in 2017. See "Overview of Eagle" and note 6 of the Financial Statements.

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

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

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

(6) Reserves Replacement is calculated by dividing company gross reserve additions by working interest production for the year, which, in 2017, is based on average working interest production of 3,598 boe/d (2016 - 3,740 boe/d).

(7) Reserves Life Index is calculated by dividing company gross reserves by working interest production for the year, which, in 2017, is based on average working interest production of 3,598 boe/d (2016 - 3,740 boe/d).

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

Selected Annual Information

The following table shows selected information for Eagle's fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015.

Years ended December 31	2017	2016	2015
($000's except per share amounts and production)			
Sales volumes – boe/d	3,821	3,972	3,358
Revenue, net of royalties	55,569	48,993	48,121
Field netback	29,354	23,437	23,659
Funds flow from operations	12,695	15,798	30,738
per share – basic and diluted	0.30	0.38	0.88
(Loss) earnings	(17,349)	9,559	(76,046)
per share – basic and diluted	(0.40)	0.23	(2.18)
Current assets	13,869	9,302	19,767
Current liabilities	13,715	74,595	9,397
Total assets	207,314	218,036	208,572
Total non-current liabilities	94,312	26,202	92,616
Shareholders' equity	99,287	117,239	106,559
Dividends declared	425	3,821	12,040
per issued share	0.01	0.09	0.35
Shares issued	43,302	42,452	34,863

Consolidated Results of Operations

Production

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Working interest (boe/d)	3,553	3,564	-	3,598	3,740	(4)
Royalty interest (boe/d)	251	239	5	223	232	(4)
Total (boe/d)	**3,804**	3,803	-	**3,821**	3,972	(4)

Working interest sales volumes of 3,553 boe/d and royalty interest sales volumes of 251 boe/d for total sales volumes of 3,804 for the three months ended December 31, 2017 were consistent with the comparative period production of 3,803 boe/d in 2016.

Full year working interest sales volumes averaged 3,598 boe/d (87% oil, 3% NGLs, 10% natural gas), and royalty interest volumes averaged 223 boe/d (26% oil, 17% NGLs, 57% natural gas), for total average production in 2017 of 3,821 boe/d, a decrease of 4% over the previous year. Although new well production from the 2017 drilling programs is as expected, natural decline on base wells caused overall production to decrease slightly year-over-year.

Average Daily Production by Product Type

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Working Interest						
Oil (bbl/d)	3,051	3,111	(2)	3,116	3,268	(5)
Natural gas (Mcf/d)	2,357	2,173	8	2,238	2,264	(1)
NGLs (bbl/d)	109	90	21	109	95	15
Oil equivalent sales volumes (boe/d @6:1)	**3,553**	3,564	-	**3,598**	3,740	(4)
Royalty Interest						
Oil (bbl/d)	73	55	33	58	50	16
Natural gas (Mcf/d)	815	848	(4)	756	843	(10)
NGLs (bbl/d)	42	43	(2)	39	41	(5)
Oil equivalent sales volumes (boe/d @6:1)	**251**	239	5	**223**	232	(4)
Total						
Oil (bbl/d)	3,124	3,166	(1)	3,174	3,318	(4)
Natural gas (Mcf/d)	3,172	3,021	5	2,994	3,107	(4)
NGLs (bbl/d)	151	133	14	148	136	9
Oil equivalent sales volumes (boe/d @6:1)	**3,804**	3,803	-	**3,821**	3,972	(4)

Revenue

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Working Interest Revenue						
Oil	17,787	16,234	10	65,847	58,304	13
Natural gas	288	589	(51)	1,880	1,760	7
NGLs	376	215	75	1,300	744	75
Other	70	298	(77)	735	1,021	(28)
	18,521	17,336	7	**69,762**	61,829	13
Royalty Interest Revenue						
Oil	365	250	46	1,070	792	35
Natural gas	108	147	(27)	486	379	28
NGLs	150	100	50	452	304	49
Other	-	-	-	-	-	-
	623	497	25	**2,008**	1,475	36
Total Revenue						
Oil	18,152	16,484	10	66,917	59,096	13
Natural gas	396	736	(46)	2,366	2,139	11
NGLs	526	315	67	1,752	1,048	67
Other	70	298	(77)	735	1,021	(28)
	19,144	17,833	7	**71,770**	63,304	13

For the three months ended December 31, 2017, revenue was 7% higher than the prior year's quarter due to a 7% increase in realized price per boe. For the year ended December 31, 2017, total revenue was 13% higher than the prior year as the 4% decrease in production was offset by an 18% increase in realized prices.

Product Prices

Realized Prices	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Oil ($/bbl)	63.16	56.59	12	57.76	48.66	19
Natural gas ($/Mcf)	1.36	2.65	(49)	2.17	1.88	15
NGLs ($/bbl)	37.94	25.74	47	32.43	21.05	54
Other ($/bbl)	0.20	0.85	(76)	0.53	0.70	(25)
Revenue ($/boe)	**54.71**	50.99	**7**	**51.46**	43.55	18

Benchmark prices	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
WTI crude oil ($US/bbl)	**55.40**	49.29	12	**50.95**	43.32	18
Exchange rate ($CA/$US)	**1.27**	1.33	(5)	**1.30**	1.33	(2)
Edmonton Par crude oil ($CA/bbl)	**65.68**	60.76	8	**61.85**	52.79	17
NYMEX Gas ($US/Mcf)	**2.92**	3.18	(8)	**3.02**	2.55	18
AECO natural gas ($CA/Mcf)	**1.72**	3.11	(45)	**2.20**	2.18	1

Eagle's quarterly revenue was 95% derived from oil, compared to 93% for the fourth quarter of 2016. Revenue for the twelve months ended December 31, 2017 was 93% derived from oil, consistent with the year ended December 31, 2016. When compared to last year's comparative periods, realized oil prices in Canadian dollars increased 12% quarter-over-quarter and 19% year-over-year, consistent with higher benchmark WTI crude oil prices of 12% quarter-over-quarter and 18% year-over-year.

For Eagle's U.S. properties, there is a quality differential between the benchmark $US WTI price and the $US price realized by Eagle. Eagle enters into field marketing contracts to obtain predictable pricing. Management monitors pricing regularly and endeavours to maximize realized sales prices while minimizing counterparty risk.

For the Salt Flat properties in the U.S., 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. This contract was renewed for an additional 6 months effective July 1, 2017. This contract was renewed for 6 additional months commencing February 1, 2018. For the North Texas 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 for the fourth quarter of 2017, including quality and transportation, is a discount of approximately $CA 20.07 per barrel. For the Twining properties in Canada, the entire differential to WTI for the fourth quarter of 2017, including quality and transportation, is a discount of approximately $CA 12.41 per barrel. Eagle also had 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 was at that time.

The above prices do not include realized gains or losses from financial commodity contracts, which amounted to a loss of $1.8 million ($1.27/boe) for the twelve months ended December 31, 2017. See "Realized and Unrealized Risk Management Loss (Gain)".

Royalties

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	Year Ended December 31, 2017	Year Ended December 31, 2016	%
Total royalties ($000's)[1]	4,419	3,942	12	16,201	14,311	13
$/boe[2]	**12.63**	11.27	12	**11.62**	9.84	18
Royalty rate on working interest sales:	**24%**	23%		**23%**	23%	

Notes:

(1) There are no royalty expenses associated with royalty interest volumes.

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

The overall royalty rate for the three months ended December 31, 2017 increased slightly from the prior year comparative period because when commodity prices increase, royalty rates increase on the Canadian properties. The production ratio changed to 54% from the Canadian properties and 46% from the U.S. properties in the fourth quarter of 2017 compared to 50% each in the fourth quarter of 2016. Canadian properties had an average royalty rate of approximately 16% in the fourth quarter of 2017 compared to 14% in the fourth quarter of 2016. The royalty rate for the U.S. properties was 28% for the three months ended December 31, 2017 and the three months ended December 31, 2016.

For the year ended December 31, 2017, the royalty rate remained the same as the year ended December 31, 2016. Canadian properties had an average royalty rate of 16% for the year ended December 31, 2017, while the U.S. properties had an average royalty rate of 27% for the same period of 2017, compared to 14% and 28% respectively for the year ended December 31, 2016.

The sliding scale nature of royalties paid on Canadian properties affects the royalty rate. Crown royalty rates in Alberta depend on four components: (i) production volumes; (ii) Alberta PAR commodity prices; (iii) product density; and, (iv) whether wells qualify for royalty holidays. Alberta PAR commodity prices reflect market prices. Royalty rates for Eagle's U.S. properties do not generally fluctuate with underlying commodity prices.

Operating Expenses

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	Year Ended December 31, 2017	Year Ended December 31, 2016	%
Total operating expenses ($000's)[1]						
Operating expenses	6,390	6,382	-	24,273	23,538	3
Transportation and marketing expenses	474	417	14	1,942	2,018	(4)
	6,864	6,799	1	**26,215**	25,556	3
($/boe)[2]						
Operating expenses	18.26	18.25	-	17.40	16.19	7
Transportation and marketing expenses	1.35	1.19	14	1.39	1.39	-
	19.61	19.44	1	**18.80**	17.58	7

Notes:

(1) There are no operating expenses associated with royalty interest volumes.

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

Operating expenses (inclusive of transportation and marketing expenses) totalling $6.9 million for the three months ended December 31, 2017 are comprised primarily of power (18%), chemicals (6%), field salaries (6%), transportation (6%) and fuel (6%). For the three months ended December 31, 2016, operating expenses (inclusive of transportation and marketing expenses) of $6.8 million were comprised primarily of power (17%), water disposal fees (10%), chemicals (8%), oil transportation (7%), fuel (6%) and field salaries (6%).

Operating expenses (inclusive of transportation and marketing expenses) of $26.2 million for the twelve months ended December 31, 2017 are comprised primarily of power (19%), chemicals (7%), field salaries (6%), oil transportation (6%) and fuel (5%). For the twelve months ended December 31, 2016, operating expenses (inclusive of transportation and marketing expenses) of $25.6 million were comprised primarily of power (19%), chemicals (8%), oil transportation (7%), water disposal fees (7%) and field salaries (7%).

For the three months ended December 31, 2017, per boe operating expenses (inclusive of transportation and marketing expenses) of $19.61 were consistent with the prior year comparative quarter. For the twelve months ended December 31, 2017, per boe operating expenses of $18.80 (inclusive of transportation and marketing expenses) increased 7% year-over-year due to higher well servicing activity, primarily in Dixonville.

Field Netback

	Three Months Ended December 31, 2017		Three Months Ended December 31, 2016		**Year Ended December 31, 2017**		Year Ended December 31, 2016	
	$000's	**$/boe**	$000's	$/boe	**$000's**	**$/boe**	$000's	$/boe
Revenue	19,144	54.71	17,833	50.99	71,770	51.46	63,304	43.55
Royalties	(4,419)	(12.63)	(3,942)	(11.27)	(16,201)	(11.62)	(14,311)	(9.84)
Operating expenses	(6,390)	(18.26)	(6,382)	(18.25)	(24,273)	(17.40)	(23,538)	(16.19)
Transportation and marketing expenses	(474)	(1.35)	(417)	(1.19)	(1,942)	(1.39)	(2,018)	(1.39)
Field netback	**7,861**	**22.47**	7,092	20.28	**29,354**	**21.05**	23,437	16.12
Sales volumes (boe/d)		**3,804**		3,803		**3,821**		3,972

During the fourth quarter of 2017, Eagle averaged revenue of $54.71 per boe and realized a field netback of $22.47 per boe compared to revenue of $50.99 per boe and field netback of $20.28 per boe in the fourth quarter of 2016. Field netback on a per boe basis is higher on a quarter-over-quarter basis due to higher realized price offset by higher royalties. The increase in field netback per boe year-over-year to $21.05 in 2017 from $16.12 in 2016 is primarily due to the increase in commodity prices, which were partially offset by the higher per boe royalties and field operating expenses.

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

Administrative Expenses

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	**%**	**Year Ended December 31, 2017**	Year Ended December 31, 2016	**%**
Administrative expenses ($000's)	**1,693**	2,743	(38)	**8,357**	11,207	(25)
$/boe	4.84	7.84	(38)	5.99	7.71	(22)

Administrative expenses for the three months ended December 31, 2017 were 38% below the prior year comparative period and include previously-announced reductions to executive compensation. Administrative expenses for the twelve months ended December 31, 2017 are 25% below 2016 levels. Staff and related employment costs, professional fees and office costs account for 55%, 24% and 16% respectively, of administrative expenses for the three months ended December 31, 2017 (three months ended December 31, 2016 – 67%, 16% and 12% respectively). For the twelve months ended December 31, 2017, staff and related employment costs, office costs and professional fees accounted for 56%, 18% and 15% respectively (twelve months ended December 31, 2016 – 61%, 14% and 19% respectively).

Eagle previously announced that effective September 1, 2017 its aggregate executive compensation (cash and non-cash on an annualized basis) had been reduced by 50% from 2016 levels of $2.8 million. Eagle has entered into a new Houston office lease which, due to a rent free period until September 1, 2018, will reduce its 2018 annual rent by 60%, or $221,000, and realize average annual savings of 30% when compared to the terms of its previous office lease.

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[(1)]	1,000	bbls/d	Jan-18	Mar-18	57.50	57.50
NYMEX[(1)]	1,000	bbls/d	Apr-18	Jun-18	57.50	57.50

Notes:

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

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Realized loss (gain)	877	(347)	(353)	1,771	(6,067)	(129)
Unrealized loss (gain)	448	4,418	(90)	(5,656)	15,191	(137)
Net loss (gain)	**1,325**	4,071	(67)	**(3,885)**	9,124	(143)

On a year-over-year basis, the net value of the commodity price contracts has changed due to the expiry of the 2016 contracts that hedged 2,000 barrels per day and averaged $US 47.90 WTI per barrel and the contracts in place at December 31, 2017 that hedged an average 1,000 barrels per day at an average price of $57.50 per barrel. 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. In the first quarter of 2017, upon unwinding a contract with one of Eagle's previous bank lenders, Eagle incurred a realized loss of $1.6 million. Although Eagle currently does not intend to unwind the remaining contracts 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.

At December 31, 2017, Eagle had fixed price financial swap transactions for the first half of 2018 with a forward sale price of $US 57.50 WTI per barrel on 1,000 barrels of oil per day.

At December 31, 2016, Eagle had 2,000 barrels of oil per day hedged at an average price of $US 49.70 WTI per barrel and a WTI differential contract of $US 3.25 for 986 barrels of oil per day for January to December, 2017.

Finance Expense

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Finance expense ($000's)	**2,323**	1,242	87	**8,228**	3,894	111
$/boe	6.64	3.55	87	5.90	2.68	120

During the first quarter of 2017, and in anticipation of the likely withdrawal of support from certain members of Eagle's existing syndicate of Canadian bank lenders who had indicated a desire to reduce their exposure to the junior energy lending market, 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 "Liquidity and Capital Resources"). Eagle's new lender is an SEC-registered investment adviser headquartered in San Francisco with assets under management of approximately $US 3 billion and affords Eagle a partner with the capacity to provide additional financing.

On February 8, 2018, Eagle announced that it sold its oil and gas interests in the Salt Flat Field located in Caldwell County, Texas. Eagle used part of the net proceeds from the sale to reduce its term loan by 34% (from $US 58.2 million to $US 38.5 million).

Funds borrowed are denominated in U.S. dollars and have a coupon rate of LIBOR plus 8% (with LIBOR having a floor of 1%). For the prior year's comparative quarter, funds were borrowed primarily by way of banker's acceptance and drawn in Canadian dollars.

For the three and twelve months ended December 31, 2017, finance expense increased over the comparative prior period due to a higher interest rate on the term loan and a higher debt level. In addition, costs associated with securing the new term loan are amortized over the life of the loan and included in finance expense.

For the three and twelve months ended December 31, 2017, the effective interest rate was 12.06% and 10.76%, respectively (7.45% and 5.70% for the comparable periods 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 December 31, 2017		Three Months Ended December 31, 2016		**Year Ended December 31, 2017**		Year Ended December 31, 2016	
	$000's	**$/boe**	$000's	$/boe	**$000's**	**$/boe**	$000's	$/boe
Field netback[1]	7,861	22.47	7,092	20.28	29,354	21.05	23,437	16.12
Cash settled award payments	-	-	(9)	(0.03)	(9)	(0.01)	(62)	(0.04)
Administrative expenses - cash	(1,693)	(4.84)	(2,743)	(7.84)	(8,357)	(5.99)	(10,882)	(7.49)
Realized risk management gain (loss)	(877)	(2.51)	347	0.99	(1,771)	(1.27)	6,067	4.17
Finance expense - cash	(1,803)	(5.15)	(730)	(2.09)	(6,521)	(4.68)	(2,665)	(1.83)
Income tax expense	-	-	(39)	(0.11)	(1)	-	(75)	(0.05)
Amortization of leasehold inducement	-	-	(17)	(0.05)	(2)	-	(17)	(0.01)
Realized foreign exchange gain (loss)[2]	-	-	-	-	2	-	(5)	-
Funds flow from operations	**3,488**	9.97	3,901	11.15	**12,695**	9.10	15,798	10.87

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.

2017 Sensitivities

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

		Quarterly impact on funds flow from operations ($000's)	**Quarterly impact on funds flow from operations / share[1]**
Gas price[2]	$US 0.10/mcf Henry HUB	23	-
Oil price[2]	$US 1.00/bbl WTI	277	0.01
Gas production	+1000 Mcf/d	65	-
Oil production	+100 bbls/d	207	-
Currency[2]	$CA weaken by $0.01	49	-
Interest rate	+1% LIBOR	(183)	-

Notes:

(1) Per share figures are based on 43,301,986 weighted average basic shares outstanding for the three months ended December 31, 2017.

(2) Price and currency sensitivities are calculated using an average fourth quarter total working interest and royalty sales volumes of 3,804 boe/d.

Share-based Compensation

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Share-based compensation expense	**122**	299	(59)	**595**	388	53

The total dollar amount of share-based compensation expense does not represent cash paid by Eagle. The entire $122,000 recorded in the fourth quarter was non-cash share-based compensation expense. For the year ended December 31, 2017, the non-cash portion of share-based compensation expense was $586,000 and the cash portion was $9,000, for a total expense of $595,000.

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

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

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

Depreciation, Depletion and Amortization

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Depreciation, depletion and amortization	**4,815**	4,218	14	**20,014**	20,908	(4)
Impairment expense (recovery)	**12,379**	(34,120)	(136)	**12,379**	(34,120)	(136)
Total	**17,194**	(29,902)	(158)	**32,393**	(13,212)	(345)

The depletion, depreciation, and amortization provision for the three months and year ended December 31, 2017 was based on proved plus probable reserves, including the future development costs associated with those reserves, as outlined in the year-end 2017 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 fourth quarter of 2016, from $7.13 per boe to $6.54 per boe. For the year ended December 31, 2017, the per boe depletion rate was $6.42 per boe compared to $7.59 per boe for the year ended December 31, 2016.

For the Twining properties, an increase in carrying value due to an impairment reversal at 2016 year-end, the addition of costs related to the 2017 drilling program and an increase in future development costs in the reserve report, resulted in a higher per boe depletion rate of $14.95 per boe in the fourth quarter of 2017 compared to $11.28 in the fourth quarter of 2016. For the year ended December 31, 2017, the per boe depletion rate was $13.74 per boe compared to $12.58 for the year ended December 31, 2016.

For the North Texas properties, an increase in carrying value due to an impairment reversal at 2016 year end and drilling in the fourth quarter of 2017, offset by an increase in reserves, resulted in a slight increase in the per boe depletion rate to $18.12 per boe in the fourth quarter of 2017 compared to $17.70 for the fourth quarter of 2016. For the year ended December 31, 2017, the per boe depletion rate was $19.58 compared to $20.21 for the year ended December 31, 2016.

For the Salt Flat properties, an increase in carrying value due to 2017 drilling and an impairment reversal at 2016 year end, along with an decrease in reserves year-over-year, resulted in an increase in the per boe depletion rate to

$20.39 in the fourth quarter of 2017 compared to $15.75 in the fourth quarter of 2016. For the year ended December 31, 2017, the per boe depletion rate was $21.27 compared to $20.50 for the year ended December 31, 2016.

On an overall corporate level, the per boe depletion rate increased slightly year-over-year and when combined with a 4% decrease in production, depreciation, depletion and amortization expense was 4% lower than the comparative twelve month period in 2016.

Impairment

United States – Salt Flat and North Texas Cash Generating Units ("CGUs")

At December 31, 2017, Eagle's U.S. assets were assessed for impairment. To calculate the impairment for the year, the fair value less costs to dispose of the assets for each CGU was estimated and then compared to the net book value for each CGU. The fair value was calculated by taking the net present value of the after tax cash flows from its oil and gas proved plus probable reserves as estimated by the third party reserve evaluators. A risk-adjusted discount rate of 11% (2016 – 11%) was used for both the North Texas and Salt Flat CGUs and WTI prices of $US 58.50 in 2018, $US 58.70 in 2019, $US 62.40 in 2020, $US 69.00 in 2021, $US 73.10 in 2022, $US 74.50 in 2023, $US 76.00 in 2024, $US 77.50 in 2025, $US 79.10 for 2026, $US 80.70 for 2027, $US 82.30 for 2028 were used, with a +2%/year for the remainder.

Based on the analysis, and despite lower pricing, the fair value less costs to dispose of the North Texas asset increased year-over-year primarily due to favourable results from the 2017 drilling program. As the North Texas asset does not have an impairment recorded, no reversal of previous impairments was booked. In the Salt Flat CGU, as a result of the sale of the asset in February 2018, Eagle assessed the fair value of the property at December 31, 2017 using the fair market value indicated by the sale price, resulting in an impairment of $12.4 million for the three and twelve months ended December 31, 2017. During the three and twelve months ended December 31, 2016, a $22.5 million reversal of previous impairment provisions was recorded in the Salt Flat CGU and a $10.6 million reversal of previous impairment provisions was recorded in the North Texas CGU.

The Salt Flat CGU was written down to the fair market value less costs to dispose of the asset to $34.3 million based on the actual sale price received in February 2018.

Based on the analysis, the carrying value of the North Texas CGU remained at $57.0 million.

The calculation of the recoverable amount is sensitive to assumptions regarding production volumes, discount rates and commodity prices. A 1% increase (decrease) in the discount rate would have decreased (increased) the fair value estimate in the Salt Flat CGU by approximately $0.8 million and in the North Texas CGU by approximately $4.4 million. In addition, a 10% increase (decrease) in the estimated future cash flows would have increased (decreased) the fair value estimate by $2.8 million in Salt Flat and $7.8 million in North Texas.

Canada – Dixonville, Twining and NW Alberta Cash Generating Units

At December 31, 2017, Eagle's Canadian assets were assessed for impairment. To calculate the impairment for the year, the fair value less costs to dispose of the assets for each CGU was estimated and then compared to the net book value for each CGU. The fair value was calculated by taking the net present value of the after-tax cash flows from its oil and gas proved plus probable reserves as estimated by the third party reserve evaluators. A risk-adjusted discount rate of 11.6% (2016 – 11.6%) was used for Dixonville, 11% (2016 – 11%) for Twining and 15% for the NW Alberta properties acquired in 2016 and WTI prices of $US 58.50 in 2018, $US 58.70 in 2019, $US 62.40 in 2020, $US 69.00 in 2021, $US 73.10 in 2022, $US 74.50 in 2023, $US 76.00 in 2024, $US 77.50 in 2025, $US 79.10 for 2026, $US 80.70 for 2027, $US 82.30 for 2028 were used, with a +2%/year for the remainder.

Eagle did not record an impairment expense or recovery in the Dixonville, Twining or NW Alberta CGUs for the three months and year ended December 31, 2017 (2016 - Dixonville - $7.0 million impairment, Twining - $8.0 million reversal of previous impairment, NW Alberta - $nil).

Based on the analysis, the Dixonville asset was kept at its carrying cost of $57.9 million. The December 31, 2017 reserves report, when compared to the December 31, 2016 reserves report shows relatively stable production, a slight decrease in price and a decrease in royalties and operating expenses.

Based on the analysis, the Twining asset was kept at its carrying cost of $39.4 million. An increase in the carrying value of the Twining asset due to an impairment reversal at December 31, 2016 year-end, combined with capital spending during 2017 for the three well drilling program, was commensurate with an increase in reserve value at December 31, 2017.

Based on the analysis, the NW Alberta CGU was kept at $4.1 million.

The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. A 1% increase (decrease) in the discount rate would have decreased (increased) the fair value estimate in the Dixonville CGU by approximately $5.2 million, $3.2 million in the Twining CGU and $0.3 million in the NW Alberta CGU. In addition, a 10% increase (decrease) in the estimated future cash flows would have increased (decreased) the fair value estimate by $6.6 million in Dixonville, $7.2 million in Twining and $0.8 million in NW Alberta.

Income Tax

Tax Horizon

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

U.S. Tax Reform

On December 22, 2017, the United States government enacted the *Tax Cuts and Jobs Act* (the "**Act**") which will significantly change existing U.S. tax law. The effective date of the law for most provisions is January 1, 2018. The most significant provisions of the Act to impact Eagle are a permanent reduction in the corporate tax rate for U.S. entities from 35% to 21%, full deductibility of allowed capital expenditures between September 27, 2017 and January 1, 2023, and further limitation of interest expense deductibility. Furthermore, the Act includes significant additional anti-base erosion measures. Notably, the law includes a "Base Erosion Anti-Abuse Tax" (BEAT) that imposes a minimum tax on certain deductible payments made to a foreign affiliate, including payments such as royalties and management fees, but excluding cost of goods sold.

Foreign Exchange Loss (Gain)

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Net loss (gain) arising on settlement of foreign currency transactions arising out of operating activities – realized	-	-	(2)	5
Foreign exchange loss (gain) on U.S. denominated debt - unrealized	344	-	(4,536)	-
Foreign exchange loss (gain) on Canadian denominated intercompany loan - unrealized	(484)	(1,908)	5,593	2,397
Foreign exchange loss (gain) on U.S. denominated risk management liability - unrealized	(41)	-	(41)	-
Foreign exchange loss (gain) net	**(181)**	(1,908)	**1,014**	2,402

The net loss (gain) arising on the settlement of foreign currency transactions arising out of operating activities is recorded as a realized loss or gain in earnings or loss.

The foreign exchange loss (gain) on the U.S. denominated debt (see "Loan Agreement" under Liquidity and Capital Resources) is a non-cash entry resulting from the re-evaluation of the term loan from a U.S.-based lender to the Canadian dollar equivalent amount on each balance sheet date. The change in the Canadian dollar amount is recorded as an unrealized amount in earnings or loss. The three months ended December 31, 2017 show an unrealized loss of $0.3 million and the year ended December 31, 2017 shows an unrealized gain of $4.5 million due to an increase in the period exchange rate quarter-over-quarter and a decrease in the period-end foreign exchange rate year-over-year.

The foreign exchange loss (gain) on the intercompany loan is a non-cash entry resulting from the U.S. subsidiary holding a Canadian dollar denominated loan issued by 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 as an unrealized amount in earnings or loss. For the three months ended December 31, 2017, the foreign exchange gain was $0.5 million and for the year ended December 31, 2017 a $5.6 million loss, due to an increase in the period end exchange rate quarter-over-quarter and a decrease in the period-end foreign exchange rate year-over-year.

The foreign exchange loss (gain) on financial instruments is a non-cash entry resulting from the re-evaluation of the U.S. denominated financial instruments. The change in the Canadian dollar amount is recorded as an unrealized amount in earnings or loss.

Capital Expenditures

Capital expenditures during the three and twelve months ended December 31, 2017 were as follows:

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Exploration and evaluation[1]	(4,126)	-	(974)	5
Acquisition - pursuant to the Arrangement	-	-	-	5,144
Disposition – non-producing Twining properties	(105)	-	(105)	-
Intangible drilling and completions	9,660	1,173	23,041	4.420
Well equipment and facilities	548	-	2,161	1,346
Other	23	43	28	47
Total	**5,980**	1,216	**24,151**	10,962

Note:

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

Capital expenditures in the fourth quarter consisted primarily of $5.3 million to finish completing and equipping the first horizontal well on Eagle's North Texas property and $0.1 million to purchase land in North Texas. In addition, Eagle sold nonproducing properties in the Twining area for $0.1 million. Year-to-date costs include the drilling, completing, equipping and tie-in of three wells in the Twining area, two wells in the Salt Flat area and one well and acreage purchases in North Texas.

During 2017, Eagle purchased $3.1 million of land in the North Texas area, and during the fourth quarter, Eagle reclassified $4.1 million of exploration and evaluation costs for land and seismic work in the North Texas CGU to oil and gas properties due to the successful results of the first horizontal well in that area. The CGU was then tested for impairment.

Summary of Quarterly Results

	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
($000's except for boe/d and per share amounts)								
Sales volumes – boe/d	3,804	3,749	3,966	3,767	3,803	4,085	4,147	3,854
Revenue, net of royalties	14,725	12,459	14,167	14,218	13,891	12,854	13,149	9,099
per boe	42.08	36.12	39.25	41.95	39.72	34.20	34.84	25.94
Operating, transportation and marketing expenses	6,864	6,301	5,885	7,165	6,799	6,564	5,928	6,265
per boe	19.61	18.27	16.31	21.14	19.44	17.46	15.71	17.86
Field netback	7,861	6,158	8,282	7,053	7,092	6,290	7,221	2,834
per boe	22.47	17.85	22.94	20.81	20.28	16.74	19.13	8.08
Funds flow from operations	3,488	3,346	4,272	1,589	3,901	4,582	5,148	2,167
per boe	9.98	9.70	11.84	4.69	11.15	12.19	13.64	6.18
per share – basic	0.08	0.08	0.10	0.04	0.09	0.11	0.12	0.05
per share – diluted	0.08	0.07	0.10	0.04	0.09	0.11	0.12	0.05
(Loss) earnings	(14,293)	(4,711)	675	1,303	30,508	52	(9,288)	(11,713)
per share – basic	(0.34)	(0.11)	0.02	0.03	0.72	0.00	(0.23)	(0.29)
per share - diluted	(0.34)	(0.11)	0.02	0.03	0.72	0.00	(0.23)	(0.29)
Cash dividends declared	-	-	-	425	637	636	1,274	1,584
per issued share	0.00	0.00	0.00	0.01	0.015	0.015	0.03	0.04
Current assets	13,869	11,122	11,847	18,819	9,302	9,787	10,618	12,829
Current liabilities	13,715	8,042	6,599	11,474	74,595	72,387	75,035	5,472
Total assets	207,314	213,867	222,155	233,951	218,036	190,945	195,044	199,708
Total non-current liabilities	94,312	92,367	97,086	104,359	26,202	31,690	32,397	96,317
Shareholders' equity	99,287	113,458	118,470	118,118	117,239	86,868	87,612	97,919
Shares issued	43,302	43,302	42,857	42,857	42,452	42,452	42,452	42,452

For the three months ended December 31, 2017, sales volumes increased 1% from the third quarter as a result of new well production that was offset by natural decline and weather-related effects in October and December 2017 due to extreme cold.

Field netback increased 28% from the third quarter due a 19% increase in realized prices which was commensurate with an increase in the WTI benchmark price. The increase in field netback due to higher pricing was partially offset by a 9% increase in operating, transportation and marketing expenses in the fourth quarter of 2017 compared to the third quarter of 2017, due to well repairs and cold weather in Dixonville.

Funds flow from operations increased 4% from the third quarter of 2017. This was primarily due to 28% higher field netbacks which were offset by a realized risk management loss of $0.1 million in the fourth quarter, compared to a $0.5 million realized gain in the third quarter.

(Loss) earnings 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 (loss) earnings, and those that are required to be fair valued at each quarter end. Fourth quarter 2017 funds flow from operations increased by 4% from the third quarter of 2017, yet the fourth quarter net income was 203% less than the third quarter of 2017 primarily as a result of the impairment expense of $12.4 million, offset by a decrease in the unrealized risk management loss due to weaker forward commodity prices at the end of the fourth quarter. The fourth quarter of 2017 includes an unrealized risk management loss of $0.4 million compared to an unrealized risk management loss of $2.0 million in the third quarter of 2017.

Total non-current liabilities increased slightly in the fourth quarter from the third quarter due to a higher foreign exchange rate applied to Eagle's U.S.-denominated debt. During the first quarter of 2017, Eagle retired all amounts drawn under its bank credit facility that was classified as a "current" liability and entered into a new four year term loan agreement which is classified as a "non-current" liability. During the second quarter, Eagle prepaid $US 4.0 million of term loan principal.

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

Production	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	**%**	**Year Ended December 31, 2017**	Year Ended December 31, 2016	**%**
Working interest						
Oil (bbl/d)	1,729	1,767	(2)	1,729	1,893	(9)
Natural gas (Mcf/d)	213	228	(7)	217	236	(8)
NGLs (bbl/d)	35	45	(22)	33	44	(25)
Oil equivalent sales volumes (boe/d @ 6:1)	**1,800**	1,850	(3)	**1,798**	1,976	(9)
Royalty interest						
Oil (bbl/d)	-	-	-	-	-	-
Natural gas (Mcf/d)	-	-	-	-	-	-
NGLs (bbl/d)	-	-	-	-	-	-
Oil equivalent sales volumes (boe/d @ 6:1)	**-**	-	-	**-**	-	-
Total						
Oil (bbl/d)	1,729	1,767	(2)	1,729	1,893	(9)
Natural gas (Mcf/d)	213	228	(7)	217	236	(8)
NGLs (bbl/d)	35	45	(22)	33	44	(25)
Oil equivalent sales volumes (boe/d @ 6:1)	**1,800**	1,850	(3)	**1,798**	1,976	(9)

Field Netback ($000's)	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	Year Ended December 31, 2017	Year Ended December 31, 2016	%
Revenue	11,494	10,401	11	41,441	38,208	8
Royalties	(3,195)	(2,902)	10	(11,429)	(10,880)	5
Operating expenses	(2,721)	(2,971)	(8)	(11,661)	(11,882)	(2)
Transportation and marketing expenses	(30)	(26)	15	(105)	(75)	40
Field netback	**5,548**	4,502	23	**18,246**	15,371	19
($/boe)						
Revenue	69.43	61.11	14	63.14	52.82	20
Royalties	(19.30)	(17.05)	13	(17.41)	(15.04)	16
Operating expenses	(16.44)	(17.46)	(6)	(17.77)	(16.43)	8
Transportation and marketing expenses	(0.18)	(0.15)	21	(0.16)	(0.10)	60
Field netback	**33.51**	26.45	27	**27.80**	21.25	31

Capital Activity	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	%	Year Ended December 31, 2017	Year Ended December 31, 2016	%
Capital expenditures ($000's)	5,359	783	584	16,133	4,827	234
Wells drilled (rig -released)						
Gross	-	-	-	3.0	2.0	50
Net	-	-	-	3.0	2.0	50
Wells brought on-stream						
Gross	1.0	-	100	3.0	2.0	-
Net	1.0	-	100	3.0	2.0	-

During the fourth quarter of 2017, capital expenditures were $5.4 million in the U.S. with average working interest sales volumes of 1,800 boe/d. The capital was primarily spent on completing and equipping one well in North Texas ($5.3 million). Capital expenditures of $16.1 million for the year ended December 31, 2017 were comprised of the drill, complete, equip and tie-in of two wells in the Salt Flat area and one well in the North Texas area, as well as acreage purchases in North Texas.

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 $7.2 million (63%) and $2.3 million (20%), respectively. For the fourth quarter of 2016, $5.4 million (71%) was received from Texican, $0.8 million (11%) was received from Sunoco and $0.7 million (10%) from Plains Marketing L.P. ("**Plains**"). In 2017, Sunoco took over marketing Eagle's oil that was previously marketed by Plains.

Revenue for the year ended December 31, 2017 was received primarily from two customers: Texican and Sunoco, with revenue received amounting to $16.5 million (64%) and $8.3 million (20%), respectively. Revenue for the year ended December 30, 2016 was received primarily from three customers: $24.8 million (65%) was received from Texican, $5.3 million (14%) was received from Sunoco and $3.8 million (10%) from Plains.

Salt Flat Properties, Texas

Salt Flat operations performed as expected in the fourth quarter. On February 8, 2018, Eagle announced that it sold its oil and gas interests in the Salt Flat field for approximately $33.3 million cash, subject to customary post-closing adjustments.

North Texas Property

During the fourth quarter, Eagle successfully completed and brought on production its first horizontal well on the North Texas property with production results exceeding expectations.

Canada

Production	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Working interest						
Oil (bbl/d)	1,322	1,344	(2)	1,387	1,375	1
Natural gas (Mcf/d)	2,143	1,945	10	2,021	2,028	-
NGLs (bbl/d)	74	45	64	76	51	49
Oil equivalent sales volumes (boe/d @ 6:1)	**1,753**	1,713	2	**1,800**	1,764	2
Royalty interest						
Oil (bbl/d)	73	55	33	58	50	16
Natural gas (Mcf/d)	815	848	(4)	756	843	(10)
NGLs (bbl/d)	42	43	(2)	39	41	(5)
Oil equivalent sales volumes (boe/d @ 6:1)	**251**	239	5	**223**	232	(4)
Total						
Oil (bbl/d)	1,395	1,399	-	1,445	1,425	1
Natural gas (Mcf/d)	2,958	2,793	6	2,777	2,871	(3)
NGLs (bbl/d)	116	88	32	115	92	25
Oil equivalent sales volumes (boe/d @ 6:1)	**2,004**	1,953	3	**2,023**	1,996	1

Field Netback ($000's)	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Revenue	7,650	7,432	3	30,329	25,096	21
Royalties	(1,224)	(1,040)	18	(4,772)	(3,431)	39
Operating expenses	(3,669)	(3,411)	8	(12,612)	(11,656)	8
Transportation and marketing expenses	(444)	(391)	14	(1,837)	(1,943)	(5)
Field netback	**2,313**	2,590	(11)	**11,108**	8,066	38
($/boe)						
Revenue	41.49	41.37	-	41.08	34.36	20
Royalties	(6.64)	(5.79)	15	(6.46)	(4.70)	38
Operating expenses	(19.90)	(18.99)	5	(17.08)	(15.96)	7
Transportation and marketing expenses	(2.41)	(2.18)	10	(2.49)	(2.66)	(6)
Field netback	**12.55**	14.42	(13)	**15.04**	11.04	36

Capital Activity	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Capital expenditures ($000's)	621	319	127	7,990	944	758
Wells drilled (rig-released)						
Gross	-	-	-	3.0	-	-
Net	-	-	-	3.0	-	-
Wells brought on-stream						
Gross	-	-	-	3.0	-	-
Net	-	-	-	3.0	-	-

Fourth quarter average working interest plus royalty interest sales volumes in Canada were 2,004 boe/d. Capital expenditures of $8.0 million for the year ended December 31, 2017 were comprised of drilling, completing, equipping and tie-in costs for three wells in the Twining area, as well as minor facility work.

Revenue for the fourth quarter of 2017 was received primarily from Trafigura Canada General Partnership ("**Trafigura**") in the amount of $6.1 million (80%). For the fourth quarter of 2016, $5.6 million (75%) of revenue was received from Trafigura.

Revenue for the year ended December 31, 2017 was received primarily from Trafigura in the amount of $24.9 million (82%). For the year ended December 31, 2016, $19.5 million (78%) of revenue was received from Trafigura.

Dixonville Properties, Alberta

Eagle remains focused on operating efficiencies and improving netbacks in the Dixonville field by continuing an artificial lift study to examine ways to increase run-rates for wells in this field, as well as implementing a sweetening unit to bring down chemical costs.

Twining Properties, Alberta

The Twining field production in the fourth quarter was lower due to plant turnarounds and pipeline shut-ins. Cold weather in December also resulted in some downtime throughout the field due to freezing issues.

Other Properties, Alberta

Working interest and royalty interest production from these non-operated properties acquired pursuant to the Arrangement (see "Overview of Eagle") was maintained with minimal general and administrative and capital expenditures.

Corporate

$000's	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	%	**Year Ended December 31, 2017**	Year Ended December 31, 2016	%
Administrative expenses - cash portion	(1,693)	(2,743)	(38)	(8,357)	(10,882)	(23)
Risk management gain (loss) - realized	(877)	347	(353)	(1,771)	6,067	(129)
Cash settled award payments	-	(9)	(100)	(9)	(62)	(85)
Finance expense - cash portion	(1,803)	(730)	147	(6,521)	(2,665)	145
Income tax recovery (expense)	-	(39)	(100)	(2)	(75)	(97)
Amortization of leasehold inducements	-	(17)	(100)	(1)	(17)	(94)
Realized foreign exchange gain (loss)	-	-	-	2	(5)	(140)
Total	**(4,373)**	(3,191)	37	**(16,659)**	(7,639)	118

For the three months and years ended December 31, 2017 and 2016, corporate administrative expenses decreased when compared to the prior year's comparative periods and include previously announced reductions to executive compensation. Finance expenses increased year-over-year due to a higher interest rate on the term loan and a higher debt level. In addition, costs associated with securing the new term loan are amortized over the life of the loan and included in finance expense.

Liquidity and Capital Resources

Generally, four sources of funding are available to Eagle: (1) internally-generated funds flow from operations; (2) debt financing, when appropriate; (3) divestitures; and (4) 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 retired all amounts drawn under its $70.0 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 a U.S.-based lender (the "**Loan Agreement**").

Effective March 15, 2018, and after giving effect to the early 2018 disposition of the Salt Flat interests, the lender finalized its borrowing base redetermination and set the borrowing base at $CA 66.0 million (the approximate Canadian dollar equivalent of $US 51.6 million).

Eagle currently has $US 38.5 million drawn on the $US 51.6 million borrowing base, with the option to draw, by way of a Notice of Borrowing, the remaining incremental term loan amount up to the borrowing base prior to March 13, 2019.

At December 31, 2017, Eagle had a working capital surplus, excluding the non-cash risk management liability, of approximately $0.8 million and $73.0 million (the approximate Canadian dollar equivalent of $US 58.2 million) drawn under the Loan Agreement.

The details of Eagle's debt were as follows:

$000's	**December 31, 2017**	December 31, 2016
Amount drawn	73,035	61,245
Less deferred financing charges	(4,957)	(163)
Debt	**68,078**	61,082

At December 31, 2017 and December 31, 2016 there were no covenant violations. 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 semi-annual borrowing base determinations, which are directly impacted by the value of the oil and natural gas reserves.

Violation of any financial covenant constitutes an immediate event of default under the Loan Agreement in which the lender 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 act 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).

The following lists the key terms of the Loan Agreement between Eagle and its lender after giving effect to all amendments and borrowing base redeterminations through to March 20, 2018:

- Effective Date - March 13, 2017
- Term - 4 years
- Maturity Date - March 13, 2021

- Borrowing Base - $US 51.6 million
- Borrowing Base Redeterminations – Scheduled borrowing base redeterminations take place semi-annually (using reserve reports with effective dates of June 30 and December 31) and become effective when the new borrowing base notice is received from the lender. Such borrowing base remains in effect until the next borrowing base redetermination. The borrowing base redeterminations are effective for Eagle and its lender on March 15 and September 15 of each year. For purposes of semi-annual borrowing base redeterminations, Eagle will provide its lender with reserve reports with effective dates of June 30 and December 31 each year. Failure of Eagle to provide a semi-annual reserve report constitutes an immediate event of default.

  Upon receipt by the lender of the semi-annual reserve report (and other reports, data and supplemental information as may be reasonably requested), the lender will evaluate the information and propose a new borrowing base based upon an advance rate of 75% of the proved developed producing reserves value, before tax, 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 summarized below. Changes to the financial covenants resulting from the fifth amendment dated March 20, 2018 (the "**Fifth Amendment**") are indicated in italics:

  (a) Consolidated Leverage Ratio

  As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Leverage Ratio of not greater than (i) for the quarter ending June 30, 2017, 3.85 to 1.00, (ii) for the quarters ending September 30, 2017 and December 31, 2017, 3.50 to 1.00 and (iii) for each quarter ending on or after March 31, 2018, *3.50 to 1.00*. *(prior to the Fifth Amendment, the ratio for quarters ending on or after March 31, 2018 was 3.00 to 1.00)*

  As at December 31, 2017, the Consolidated Leverage Ratio was 3.32 to 1.0.

  The "Consolidated Leverage Ratio" is defined in the Loan Agreement as the ratio of Consolidated Funded Debt to Consolidated Adjusted EBITDAX (as defined below) 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.

  (b) Consolidated Fixed Charge Ratio

  As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Fixed Charge Ratio of not less than *1.70 to 1.00 (prior to the Fifth Amendment the ratio was 2.25 to 1.00).*

  As at December 31, 2017, the Consolidated Fixed Charge Ratio was 2.41 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 and with one-time interest charges relating to the disposition of the Salt Flat properties being excluded from interest expense).*

(c) Asset Coverage Ratio

As at June 30 and December 31 of each fiscal year, and based on reserve reports internally prepared by Eagle, Eagle is to maintain an Asset Coverage Ratio of not less than 1.333 to 1.000.

As at December 31, 2017, the Asset Coverage Ratio was 1.51 to 1.00.

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

(d) Consolidated Current Ratio

As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Current Ratio of not less than 1.00 to 1.00.

As at December 31, 2017, the Consolidated Current Ratio was 1.06 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) *actual cash transaction costs and expenses directly incurred in connection with the disposition of the Salt Flat properties; plus*

(c) 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

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

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

(f) 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

(g) 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 disposition as if such acquisition or disposition occurred at the beginning of such period, *but is not adjusted on a pro-forma basis for the disposition of the Salt Flat properties.*

Working Capital

At December 31, 2017, Eagle had a working capital surplus, excluding the non-cash risk management liability, of approximately $0.8 million and $73.0 million (the approximate Canadian dollar equivalent of $US 58.2 million) drawn under the Loan Agreement.

Shareholders' Equity, Dividends and Outstanding Share Data

During the year ended December 31, 2017, 609,116 RSUs and 241,247 PSUs vested and were settled through the issuance of 850,363 common shares from treasury with a value of $503,000 (year ended December 31, 2016 - nil shares were issued with a value of $nil).

Eagle suspended its dividend effective March 13, 2017.

At December 31, 2017, Eagle had issued 43,301,986 shares (December 31, 2016 – 42,451,623). As at the date of this MD&A, 43,301,986 shares are issued and outstanding and 1,635,668 RSUs and 607,956 PSUs are outstanding (December 31, 2016 - 1,836,579 RSU's and 721,031 PSUs).

Commitments

Eagle has committed to future payments as follows:

$000's	Total	Less than 1 year	1 – 3 years	Greater than 3 years
Operating leases(1) (2) (3)	3,984	598	1,379	2,007
Total contractual obligations	**3,984**	**598**	**1,379**	**2,007**

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 62 months and approximately $2.3 million remaining at December 31, 2017.

(2) Eagle entered into an office lease in Houston on September 22, 2017 to replace the lease expiring on December 31, 2017. The term of the lease is from February 1, 2018 to August 31, 2025. Total minimum lease payments during the term of the lease approximate $US 1.2 million. In $CA, the total minimum lease payments approximate $1.5 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.25.

(3) Eagle has entered into five vehicle lease agreements in Texas. The terms of the leases range from August 17, 2016 to October 27, 2020. Total minimum lease payments during the term of the lease approximate $US 0.2 million. The total minimum lease payments approximate $CA 0.25 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.25. The remaining future minimum lease payments approximate $CA 0.1 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.25.

Legal Proceedings

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

Transactions with Related Parties

Key Management Personnel

Key management personnel include the Directors, Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, General Counsel/Corporate Secretary, Vice President, Operations and Vice President, Finance and Controller. During the year there were no transactions with key management personnel other than in the normal course of business.

Intercompany Transactions

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

Changes in Accounting Policies Including Initial Adoption

IFRS 15 - 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. The standard is required to be adopted either retrospectively or using a modified transaction approach. In September 2015, the IASB amended IFRS 15, deferring the effective date of the standard by one year to annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 was adopted by the Company using a modified transaction approach on January 1, 2018. The Company has completed its review and evaluation of the underlying terms of its contracts with customers and the adoption of IFRS 15 is expected to have no material impact on the Company's financial statements. Additional disclosure may be required upon implementation of IFRS 15 to provide sufficient information to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from the contract with customers.

IFRS 9 - 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. This amendment was adopted by the Company on January 1, 2018. The Company has evaluated the impact of the amendment on the consolidated financial statements and the amendment will not have a material impact on the valuation of its financial assets.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces the existing leasing standard (IAS 17 *Leases*). The standard introduces a single lessee accounting model for leases with required recognition of assets and liabilities for most leases, where the Company is acting as a lessee. 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. IFRS 16 will be adopted by the Company on January 1, 2019. The Company is currently reviewing contracts that are identified as leases and expects that the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

Non-IFRS Financial Measures

Statements throughout this MD&A make reference to the terms "field netback", "funds flow from operations excluding risk management gains (losses)", "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.

"**Funds flow from operations excluding risk management gains (losses)**" is calculated by adding back realized risk management gains (losses) to funds flow from operations. Management believes this measure provides useful information to investors and management because it shows what funds flow would have been if Eagle had not had any risk management contracts in place throughout the year.

The terms "Consolidated Adjusted EBITDAX", "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, "Liquidity and Capital Resources".

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

(a) net income; plus

(b) actual cash transaction costs and expenses directly incurred in connection with the disposition of the Salt Flat properties; plus

(c) 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

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

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

(f) 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

(g) 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 disposition as if such acquisition or disposition occurred at the beginning of such period, but is not adjusted on a pro-forma basis for the disposition of the Salt Flat properties.

Critical Accounting Estimates and Judgments

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

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

Estimation of Oil and Gas Reserves

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

Capitalized Exploration and Evaluation Expenditures

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

Business Combinations

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

Decommissioning Provision

Estimates of the amounts of provision for decommissioning recognized are based on current legal and constructive requirements, technology, and price levels. As actual outflows may be different from estimates due to changes in

laws, regulations, technology, prices and conditions, and can take place in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. Eagle has interpreted the accounting standard to use the risk-free discount rate for calculating the present value of the decommissioning obligation.

Impairment (Recovery) of Oil and Gas Assets

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

Income Taxes

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

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

Derivative Financial Instruments

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

Contingencies

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

Share-based Compensation

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

Risk Management

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

- credit risk;

- liquidity risk; and
- market risk.

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

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

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

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

Liquidity risk is the risk that Eagle will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that Eagle will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Eagle's reputation. To better manage its liquidity risk, Eagle prepares annual capital expenditure budgets which are regularly monitored and updated as considered necessary. Further, Eagle utilizes AFEs on both operated and non-operated projects to manage capital expenditures. Eagle attempts to match its payment cycle with the collection of its oil and natural gas revenue each month. Refer to “Liquidity and Capital Resources”.

At December 31, 2017, Eagle had a working capital surplus, excluding the non-cash risk management liability, of approximately $0.8 million.

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

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

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in market foreign exchange rates. There is an element of foreign exchange risk to Eagle. Eagle's treasury management function is responsible for managing funding requirements and investments, which include banking and cash flow management. Prices for oil are determined in global markets and generally denominated in US dollars. Generally, an increase in the value of the $CA as compared to the $US will reduce the Canadian dollar equivalent prices received by Eagle for its petroleum and natural gas sales in the U.S., but will also reduce the Canadian dollar equivalent operating expenses associated with those sales. During 2017, Eagle did not enter into any foreign exchange contracts.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Eagle may be exposed to interest rate risk at both fixed and variable rates as it borrows funds. As at December 31, 2017, $CA 73.0 million was drawn on the term loan. The carrying value of Eagle's debt outstanding on its term loan approximates its fair value and is consistent with a Level 2 valuation. During 2017, Eagle did not hedge against any interest rate exposure.

Conclusions regarding the design and effectiveness of disclosure controls and procedures

Disclosure controls and procedures are controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to Eagle's management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. As at December 31, 2017, the Chief Executive Officer and the Chief Financial Officer evaluated the design and operation of Eagle's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that Eagle's disclosure controls and procedures were effective as at December 31, 2017.

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

Internal controls are processes designed and implemented by Management to provide reasonable assurance regarding the reliability of Eagle's financial reporting and the preparation of financial statements and other financial information for external purposes in accordance with IFRS. Based on an evaluation of Eagle's internal controls over financial reporting as at December 31, 2017, the Chief Executive Officer and the Chief Financial Officer concluded that Eagle's internal controls over financial reporting were effective.

No change in internal controls over financial reporting during the period October 1, 2017 to December 31, 2017

During the period beginning on October 1, 2017 and ended on December 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.

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 drilling plans on its North Texas property and its expectation that additional leased acreage would be proved up in the area if the second horizontal well is successful;
- Eagle's intentions to reduce debt and corporate costs, including interest costs;
- Eagle's expectations regarding alternatives for funding growth potentially including asset sales;
- Eagle's expectations regarding its corporate decline rate of 14% lending itself to Eagle sustaining 2018 average corporate production at post-Salt Flat field disposition levels with low capital expenditures;
- Eagle's expectations regarding reducing its interest costs and general and administrative expenses in 2018;
- Eagle's estimated volumes and values of reserves;
- Future development costs associated with reserves;
- Anticipated crude oil, natural gas liquids and natural gas production weighting;
- Eagle's expectations regarding annual savings arising from its new office lease in Houston;
- Eagle's loan with its lender, including terms relating to maturity date, borrowing base redeterminations, future drawings, and financial covenant ratio calculations; and
- Eagle's expectations that its lender affords Eagle a partner with the capacity to provide additional financing.

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 and interest rates;

- future production levels;
- future capital expenditures and the ability of Eagle to obtain financing on acceptable terms;
- 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 estimated 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 with 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 the operations of Eagle and 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 2018 may differ materially from any projections of future performance or results expressed or implied by these forward-looking statements. Eagle's production rates, operating and general and administrative costs, field netbacks, drilling program, capital budget, reserves and potential transactions 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.

Consolidated Financial Statements
(in Canadian dollars)

For the Years ended December 31, 2017 and December 31, 2016

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

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

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

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

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

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

(signed) Wayne Wisniewski
Wayne Wisniewski
Chief Executive Officer

MARCH 20, 2018

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

MARCH 20, 2018

March 20, 2018

Independent Auditor's Report

To the Shareholders of Eagle Energy Inc.

We have audited the accompanying consolidated financial statements of Eagle Energy Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of (loss) earnings and comprehensive (loss) earnings, statements of changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eagle Energy Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Eagle Energy Inc.

Consolidated Balance Sheets

(Thousands of Canadian dollars)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		4,040	-
Trade and other receivables		8,988	8,035
Deposits and prepaid expenses		841	1,267
		13,869	**9,302**
Non-current assets			
Exploration and evaluation assets	15	-	1,007
Oil and gas properties	16	193,373	207,621
Property, plant and equipment		72	106
		193,445	**208,734**
Total Assets		**207,314**	**218,036**
LIABILITIES			
Current liabilities			
Trade and other payables		13,108	6,803
Dividends payable		-	212
Risk management liability	4	607	6,498
Debt	17	-	61,082
		13,715	**74,595**
Non-current liabilities			
Debt	17	68,078	-
Decommissioning liability	18	26,234	26,202
		94,312	**26,202**
Total Liabilities		**108,027**	**100,797**
SHAREHOLDERS' EQUITY			
Share capital	19	320,515	320,012
Currency reserves	9	34,608	35,372
Contributed surplus	8	635	552
Deficit		(256,471)	(238,697)
Total Shareholders' Equity		**99,287**	**117,239**
Total Liabilities and Shareholders' Equity		**207,314**	**218,036**

The notes are an integral part of these consolidated financial statements.
See note 22 “Commitments” and note 23 “Subsequent Events”.

Approved by the Board

(signed) *“Richard Clark””*
Richard Clark
Director

(signed) *“Bruce Gibson”*
Bruce Gibson
Director

Eagle Energy Inc.

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

(Thousands of Canadian dollars, except per share amounts)

	Note	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Revenue		71,770	63,304
Royalties		(16,201)	(14,311)
		55,569	**48,993**
Operating expenses		24,273	23,538
Transportation and marketing expenses		1,942	2,018
Administrative expenses		8,357	11,207
Depreciation, depletion and amortization	12	20,014	20,908
Impairment expense (recovery)	12	12,379	(34,120)
Operating (loss) earnings		**(11,396)**	**25,442**
Share-based compensation expense	8	595	388
Finance expense	10	8,228	3,894
Risk management (gain) loss	4	(3,885)	9,124
Foreign exchange loss (net)	9	1,014	2,402
(Loss) earnings before taxes		**(17,348)**	**9,634**
Income tax expense	11	1	75
(Loss) earnings		**(17,349)**	**9,559**
Items that may be subsequently classified to earnings			
Foreign currency translation loss	9	(764)	(243)
Comprehensive (loss) earnings		**(18,113)**	**9,316**
(Loss) earnings per share	14		
Basic and diluted		**(0.40)**	**0.23**

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

Eagle Energy Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Thousands of Canadian dollars)

	Note	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Share Capital	19		
Balance, beginning of year		320,012	315,379
Issuance of share capital due to acquisition		-	5,539
Issuance of share capital		503	-
Share issue costs		-	(906)
Balance, end of year		**320,515**	**320,012**
Currency Reserves	9		
Balance, beginning of year		35,372	35,615
Foreign currency translation loss		(764)	(243)
Balance, end of year		**34,608**	**35,372**
Contributed Surplus	8		
Balance, beginning of year		552	-
Share-based payments		83	552
Balance, end of year		**635**	**552**
Deficit			
Balance, beginning of year		(238,697)	(244,435)
(Loss) earnings		(17,349)	9,559
Dividends		(425)	(3,821)
Balance, end of year		**(256,471)**	**(238,697)**

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

Eagle Energy Inc.

Consolidated Cash Flow Statements

(Thousands of Canadian dollars)

	Note	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Cash flows from operating activities			
(Loss) earnings		(17,349)	9,559
Adjustments for non-cash items:			
Depreciation, depletion and amortization	12	20,014	20,908
Impairment expense (recovery)	12	12,379	(34,120)
Share-based compensation – non-cash portion	8	586	326
Unrealized risk management (gain) loss	4	(5,656)	15,191
Foreign exchange loss on loans	9	1,016	2,397
Finance expense	10	1,707	1,229
Amortization of leasehold inducement		(2)	(17)
Administrative expenses - non-cash portion		-	325
Funds flow from operations		**12,695**	**15,798**
Changes in working capital:			
Trade and other receivables		(1,191)	(3,122)
Prepaid expenses		376	1,031
Trade and other payables		3,412	(284)
Working capital acquired		-	143
	20	2,597	(2,232)
Net cash generated by operating activities		**15,292**	**13,566**
Cash flows from investing activities			
Exploration and evaluation		974	(5)
Oil and gas properties		(25,202)	(5,766)
Property, plant and equipment		(28)	(47)
Disposition of oil and gas assets		105	-
Change in non-cash working capital	20	3,266	(1,355)
Net cash used in investing activities		**(20,885)**	**(7,173)**
Cash flows from financing activities			
Repayment of current debt		(61,082)	(4,373)
Proceeds from long term debt		77,639	-
Share issue costs		-	(906)
Cash dividends to shareholders		(425)	(3,821)
Deferred financing charges		(6,051)	(204)
Change in non-cash working capital	20	(212)	(310)
Net cash generated by (used in) financing activities		**9,869**	**(9,614)**
Net increase (decrease) in cash and cash equivalents		**4,276**	**(3,221)**
Effects of exchange rates on cash and cash equivalents		(236)	132
Cash at beginning of the year		-	3,089
Cash at end of the year		**4,040**	**-**

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

Eagle Energy Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and December 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 an acquisition, by way of share exchange 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 note 6 "Business Combination".

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

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

2.1. Basis of Preparation

The foreign exchange rate at December 31, 2017 was $US 1.00 equal to $CA 1.25 (December 31, 2016 - $US 1.00 equal to $CA 1.34), and the average foreign exchange rate for the year ended December 31, 2017 was $US 1.00 equal to $CA 1.30 (for the year ended December 31, 2016 - $US 1.00 equal to $CA 1.32).

Basis of Accounting

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors made on March 20, 2018.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Certain prior period amounts have been reclassified to conform to current period presentations.

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

Basis of Consolidation

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

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

2.2. Accounting Pronouncements not yet Adopted

In future accounting periods, the Company will adopt the following IFRS:

IFRS 15 - 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. The standard is required to be adopted either retrospectively or using a modified transaction approach. In September 2015, the IASB amended IFRS 15, deferring the effective date of the standard by one year to annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 15 was adopted by the Company using a modified transaction approach on January 1, 2018. The Company has completed its review and evaluation of the underlying terms of its contracts with customers and the adoption of IFRS 15 is expected to have no material impact on the Company's financial statements. Additional disclosure may be required upon implementation of IFRS 15 to provide sufficient information to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from the contract with customers.

IFRS 9 - 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. This amendment was adopted by the Company on January 1, 2018. The Company has evaluated the impact of the amendment on the consolidated financial statements and the amendment will not have a material impact on the valuation of its financial assets.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces the existing leasing standard (IAS 17 *Leases*). The standard introduces a single lessee accounting model for leases with required recognition of assets and liabilities for most leases, where the Company is acting as a lessee. 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. IFRS 16 will be adopted by the Company on January 1, 2019. The Company is currently reviewing contracts that are identified as leases and expects that the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

2.3 Significant Accounting Policies

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

Business Combinations

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

Joint Arrangements

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

Foreign Currency Translation

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

A. Non-Derivative Financial Instruments

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

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

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

(a) Financial Assets

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

(i) Loans and Receivables

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

Cash is comprised of cash on hand.

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

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

(b) Impairment of Financial Assets

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

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

(c) Financial Liabilities and Equity

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

(i) Trade payables and dividends payable

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

(ii) Borrowings

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

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

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

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

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

(iii) Equity Instruments

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

B. Derivative Financial Instruments

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

Eagle may enter into forward physical delivery sales contracts. The policy is to account for these forward physical delivery sales contracts which are entered into, and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements, as executory contracts. As

such, these contracts are not considered to be derivative financial instruments and will not be recorded at fair value on the balance sheet. Settlements on these physical sales contracts would be recognized in revenue.

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

(a) Fair Value Hierarchy

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

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

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

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

Non-Current Assets held for Sale

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

Exploration and Evaluation Expenditures

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

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

The recoverability of all exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition thereof. When proved plus probable reserves are assigned, the accumulated costs for the relevant area are tested for impairment and

transferred from exploration and evaluation assets to oil and gas properties and further classified as either developed oil and gas assets or production facilities and equipment (tangible fixed assets), as appropriate.

Oil and Gas Properties

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

Depreciation, Depletion and Amortization

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

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

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

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

Impairment - Exploration and Evaluation Expenditures

Exploration and evaluation assets are assessed for impairment if:

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

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

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

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

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

Impairment – Oil and Gas Properties

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

Decommissioning Provision

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

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

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

Other Assets

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

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

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

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

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

Revenue Recognition

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

Revenue is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to Eagle, and when specific criteria have been met as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Eagle bases its

estimates on historical results, taking into consideration the type of customer, the type of transaction, the nature of the product and the specifics of each arrangement.

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

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

Share-based Compensation

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

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

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

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

Finance Income and Expense

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

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

Shareholder Dividends

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

Taxation

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

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

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

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

Eagle Share Calculations

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

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

(Loss) Earnings Per Share

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

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

Business Combinations

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

3. Critical Accounting Estimates and Judgments

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

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

Estimation of Oil and Natural Gas Reserves

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

Capitalized Exploration and Evaluation Expenditures

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

Business Combinations

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

Decommissioning Provision

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

Impairment and Recovery of Oil and Gas Assets

The recoverable amounts of CGU's and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to dispose. These calculations require the use of estimates and assumptions. It is reasonably possible that the commodity price and discount rate assumptions may change, which could impact

the estimated life of the asset and may require a material adjustment to the carrying value of assets. Eagle monitors recent transactions within the industry, long-term views of commodity prices, externally evaluated reserves volumes and discount rates specific to the CGU.

Income Taxes

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

Derivative Financial Instruments

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

Contingencies

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

Share-based Compensation

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

4. Financial Risk Management and Financial Instruments

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

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

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

Eagle finances its operations through a combination of cash, loans, divestitures and Eagle share equity. Finance requirements such as equity, debt and project finance are reviewed by the Board when funds are required for acquisition, exploration and development projects.

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

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

Credit Risk

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

At December 31, 2017, the maximum exposure to credit risk was as follows:

$000's	**December 31, 2017**	December 31, 2016
Cash	4,040	-
Trade and other receivables	8,988	8,035
	13,028	8,035

Trade and other Receivables

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

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

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

Eagle has no losses from non-performance by these customers. As such, no provision for doubtful accounts was recorded at December 31, 2017 and December 31, 2016.

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

$000's	**December 31, 2017**	December 31, 2016
Oil and natural gas marketing companies	5,223	4,672
Receivable from joint venture working interest owners	3,475	3,305
Other	290	58
	8,988	8,035

Eagle's most significant customers are two U.S. oil marketers and one Canadian oil marketer. Together they account for 58%, or $5.2 million, of trade and other receivables at December 31, 2017 and 58%, or $4.7 million, at December 31, 2016. Additionally, 39% of trade and other receivables, or $3.5 million, represent amounts due from joint venture working interest partners at December 31, 2017 and 41%, or $3.3 million, at December 31, 2016. As of December 31, 2017 and December 31, 2016, substantially all receivables were considered current (less than 90 days old) and none were considered uncollectible.

Liquidity Risk

On March 13, 2017, Eagle retired all amounts drawn under its $70.0 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 a U.S.-based lender (the "**Loan Agreement**"). Effective March 15, 2018, and after giving effect to the early 2018 disposition of the Salt Flat properties, the lender finalized its borrowing base redetermination and set the borrowing base at $CA 66.0 million (the approximate Canadian dollar equivalent of $US 51.6 million). Eagle currently has $US 38.5 million drawn on the $US 51.6 million borrowing base, with the option to draw, by way of a notice of borrowing, the remaining incremental term loan amount up to the borrowing base prior to March 13, 2019. Refer to note 23 "Subsequent Events".

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

At December 31, 2017, the Company had a working capital surplus of approximately $0.8 million, excluding the non-cash risk management liability, with $73.0 million (the approximate December 31, 2017 Canadian dollar equivalent of $US 58.2 million) drawn under 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 semi-annual borrowing base determinations which are directly impacted by the value of the oil and natural gas reserves. Refer to note 17 "Debt".

The following were the contractual undiscounted maturities of financial liabilities, including estimated interest payments, as applicable, at December 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	13,108	13,108	13,108	-	-	-
Risk management liability	607	607	607	-	-	-
Debt	73,035	73,035	-	-	73,035	-
Interest	-	18,268	7,593	9,489	1,186	-
	86,750	**105,018**	**21,308**	**9,489**	**74,221**	-

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

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

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

Commodity Price Risk - Summary of Unrealized Risk Management Positions

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

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

As at December 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[(1)]	1,000	bbls/d	Jan-18	Mar-18	57.50	57.50	(328)	-
NYMEX[(1)]	1,000	bbls/d	Apr-18	Jun-18	57.50	57.50	(279)	-
Commodity - unrealized risk management liability							**(607)**	**-**

Notes:

(1) 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:

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

Notes:

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

At December 31, 2017, Eagle had committed to the future sale of 181,000 barrels of oil at a price of $US 57.50 WTI per barrel.

The net fair value of Eagle's unrealized risk management positions at December 31, 2017 is a liability of $0.6 million (December 31, 2016 - $6.5 million liability). The carrying value of Eagle's risk management position has been calculated using both quoted prices in active markets and observable market-corroborated data consistent with a Level 2 valuation.

A 10% increase (decrease) in the forward market price of crude oil used to calculate the unrealized risk management liability at December 31, 2017 would have increased (decreased) the liability by approximately $1.4 million based on the risk management instruments outstanding at December 31, 2017. A 10% increase (decrease) in the market price of crude oil from its 2016 year average of $US 49.70 WTI would have increased (decreased) income by approximately $4.1 million based on the risk management instruments outstanding at December 31, 2016. This analysis assumes that all other variables remain constant.

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

	Year Ended December 31, 2017			Year Ended December 31, 2016		
$000's	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)	Realized loss (gain)	Unrealized loss (gain)	Total net loss (gain)
Net effect-risk management	**1,771**	**(5,656)**	**(3,885)**	(6,067)	15,191	9,124

Foreign Exchange Risk

Foreign exchange risk is the risk that future cash flows, the U.S.-denominated debt balance 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, the quarterly covenant calculations and the $CA equivalent amount of the interest payments. At December 31, 2017, Eagle did not have any outstanding foreign exchange derivatives.

Determination of Fair Values

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

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

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

As of December 31, 2017 ($000's)	US	CA
Cash	1,492	1,872
Trade and other receivables	1,868	2,343
Trade and other payables	(5,598)	(7,023)
Risk management (liability)	(484)	(607)
	(2,722)	**(3,415)**

The average foreign exchange rate during the year ended December 31, 2017 was $US 1.00 equal to $CA 1.30, and the exchange rate at December 31, 2017 was $US 1.00 equal to $CA 1.25.

A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar from its 2017 year average of $CA 1.30 ($US 0.77) would have decreased (increased) income by approximately $1.0 million. This analysis assumes that all other variables remain constant.

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

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

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Eagle is exposed to interest rate risk on its borrowed funds. As at December 31, 2017, $CA 73.0 million was drawn on the term loan. The carrying value of Eagle's debt outstanding on its term loan approximates its fair value and is consistent with a Level 2 valuation. See note 17 "Debt". At December 31, 2017 and December 31, 2016, there were no covenant violations under the loan agreement.

A 1% increase (decrease) in the interest rate would have decreased (increased) income by approximately $0.5 million based on an average outstanding total debt balance of $CA $73.0 million ($US 58.0 million) for the period ended December 31, 2017.

Capital Management

Eagle manages its capital structure and makes adjustments to it based upon economic conditions and the risk characteristics of the underlying oil and natural gas assets. Eagle considers its capital structure to include working capital, loans and borrowing, divestiture proceeds and shareholders' equity. In order to maintain or adjust the capital structure, Eagle may issue shares, engage in external debt financing, and adjust its capital spending and cost structure to manage current and projected debt levels. Eagle monitors its debts covenants and prepares annual capital expenditure budgets which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

Draws against the existing term loan are subject to established covenants. The amount available under the term loan is subject to semi-annual borrowing base determinations which are directly impacted by the value of the oil and natural gas reserves. Refer to note 17 "Debt". As at December 31, 2017, there were no covenant violations under the Loan Agreement.

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

5. Subsidiaries and Consolidated Entities

Eagle has the following subsidiaries, each owned 100% directly or indirectly at December 31, 2017.

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

6. Business Combination

Pursuant to the Arrangement (refer to note 1 "Reporting Entity / Structure of Eagle Energy Inc."), Eagle acquired all of the issued and outstanding common shares of Maple Leaf Royalties Corp. (the "**Acquired Company**") on the basis of 0.0947 of a common share of Eagle being issued for each outstanding common share of the Acquired Company, 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 management agreement of the Acquired Company. 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 for the acquisition was $5,214,000. At the time of closing, the Acquired Company 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	5,214
Consideration paid	5,214

7. Segmented Information

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

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

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 for the year ended December 31, 2017 are as follows:

	Year Ended December 31, 2017			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures (net of disposition)	**7,990**	**16,133**	**28**	**24,151**
Revenue	30,329	41,411	-	71,770
Royalties	(4,772)	(11,429)	-	(16,201)
	25,557	**30,012**	**-**	**55,569**
Operating expenses	(12,612)	(11,661)	-	(24,273)
Transportation and marketing expenses	(1,837)	(105)	-	(1,942)
Administrative expenses - cash portion	-	-	(8,357)	(8,357)
Cash settled award payments	-	-	(9)	(9)
Risk management loss - realized	-	-	(1,771)	(1,771)
Finance expense - cash portion	-	-	(6,521)	(6,521)
Amortization of leasehold inducement	-	-	(2)	(2)
Income tax expense	-	-	(1)	(1)
Foreign exchange gain – realized	-	-	2	2
Funds flow from operations	**11,108**	**18,246**	**(16,659)**	**12,695**

In the United States segment, revenue for 2017 was received primarily from two customers, Texican Crude Hydrocarbons LLC, and Sunoco Logistics Partners L.P., with revenue received amounting to $16.5 million (64%) and $8.3 million (20%) respectively. In the Canadian segment, revenue for the year ended December 31, 2017 was received primarily from Trafigura in the amount of $24.9 million (82%).

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

	Year Ended December 31, 2017			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Funds flow from operations	**11,108**	**18,246**	**(16,659)**	**12,695**
Share-based compensation - non-cash portion	-	-	(586)	(586)
Risk management loss - unrealized	-	-	5,656	5,656
Depreciation, depletion and amortization	(6,665)	(13,349)	-	(20,014)
Impairment reversal (expense)	-	(12,379)	-	(12,379)
Foreign exchange loss - unrealized	-	-	(1,016)	(1,016)
Finance expense - non-cash portion	-	-	(1,707)	(1,707)
Amortization of leasehold inducement	-	-	2	2
(Loss) earnings	**4,443**	**(7,482)**	**(14,310)**	**(17,349)**

Details of Eagle's reportable segments for the year ended December 31, 2016 are as follows:

	Year Ended December 31, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures	**6,088**	**4,827**	**47**	**10,962**
Revenue	25,096	38,208	-	63,304
Royalties	(3,431)	(10,880)	-	(14,311)
	21,665	**27,326**	**-**	**48,993**
Operating expenses	(11,656)	(11,882)	-	(23,538)
Transportation and marketing expenses	(1,943)	(75)	-	(2,018)
Administrative expenses - cash portion	-	-	(10,882)	(10,882)
Cash settled award payments	-	-	(62)	(62)
Risk management gain - realized	-	-	6,067	6,067
Finance expense – cash portion			(2,665)	(2,665)
Amortization of leasehold inducement			(17)	(17)
Income tax expense	-	-	(75)	(75)
Foreign exchange loss - realized	-	-	(5)	(5)
Funds flow from operations	**8,066**	**15,371**	**(7,639)**	**15,798**

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

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

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

	At December 31, 2017			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Total Assets	109,094	98,220	-	207,314

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

	At December 31, 2016			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Total Assets	101,996	116,040	-	218,036

8. 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	**Year Ended December 31, 2017**	Year Ended December 31, 2016
RSUs and PSUs	8(a)	586	552
Share Options	8(b)	-	(183)
RURs	8(c)	9	57
URs	8(d)	-	(38)
Total share-based compensation expense		**595**	**388**

The following table shows the continuity of contributed surplus:

	December 31, 2017	December 31, 2016
Balance, beginning of year	552	-
Share-based compensation	586	552
RSUs and PSUs vested and settled	(503)	-
Balance, end of year	**635**	**552**

Note 8(a)

2016 Equity Incentive Plan

Following the Arrangement, Eagle implemented the 2016 Equity Incentive Plan dated effective January 27, 2016. It was approved by the shareholders at Eagle's special shareholders' meeting held on January 25, 2016.

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

Awards in the form of RSUs, Options, Share Appreciation Rights and Deferred Share Units may be granted to the employees, officers, consultants and directors of Eagle and its affiliates (except that Deferred Share Units cannot be granted to consultants). The Board may fix vesting criteria based on time and/or on performance criteria that relate to the performance of Eagle (in the latter case, those awards are referred to as PSUs). PSUs have been granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of Eagle relative to pre-defined corporate performance measures set by the Board of Directors for the associated period. Due to the PSU performance conditions not being specifically measureable, the PSUs that are issued are not considered granted in accordance with the definition of grant in IFRS 2. RSUs and PSUs represent a right to receive, on the vesting date, one share or a payment of cash equal to the fair market value of one share (or a combination thereof). The fair market value of the vested RSUs and PSUs will be determined as of the vesting date

and will be settled in 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 December 31, 2017, there were 1,635,668 RSUs and 607,956 PSUs outstanding as described below.

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

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

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

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

With respect to the RSUs 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 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 December 31, 2017, the estimated weighted average fair value for RSUs at their measurement dates (grant dates) is $0.59 per RSU outstanding. For the year ended December 31, 2017, 609,116 RSUs vested and were settled through the issuance of 609,116 common shares from treasury.

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Balance, beginning of year	1,836,579	-
Issued	539,690	1,834,750
Vested/Settled	(609,116)	-
Dividend equivalent rights	44,066	100,135
Forfeited	(175,551)	(98,306)
Balance, end of year	1,635,668	1,836,579
Number of RSUs vested	-	-

With respect to the PSUs, and for accounting purposes, since the performance conditions attached to the PSUs are not specifically measureable, the PSUs that have been issued are not considered granted in accordance with the definition of grant in IFRS 2. As a result, the fair value of the PSUs are determined at each reporting period and at the date of settlement, based on either the closing trading price for the shares of Eagle on the TSX multipled by an estimated payout multiplier of one for the number of units expected to vest (in the case of valuation at each reporting period and with the Black-Scholes option pricing model yielding a similar fair value), or based on the actual fair market value and actual payout multiplier applied to the number of units vested. As a result of revaluing the PSUs each reporting period, fluctuations in compensation expense may occur due to the re-measurement of the value of the shares as well as changes in estimating the outcome of the performance conditions (i.e. the performance multiplier). The resulting compensation expense at each reporting period is amortized over the remaining portion of the three year vesting period (with the offsetting entry to contributed surplus) using graded vesting and an estimated forfeiture rate of 5%. Upon settlement, amounts are transferred from contributed surplus to share capital. At December 31, 2017, the estimated weighted average fair value for PSUs at the measurement date (December 31,

2017) is $0.36 per PSU outstanding. For the year ended December 31, 2017, 241,247 PSUs vested, the Board set the associated multiplier at one, and the vested PSUs were settled through the issuance of 241,247 common shares from treasury.

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Balance, beginning of year	721,031	-
Issued	206,998	733,250
Vested/Settled	(241,247)	-
Dividend equivalent rights	17,300	41,102
Forfeited	(96,126)	(53,321)
Balance, end of year	607,956	721,031
Number of PSUs vested	-	-

Note 8(b)

2010 Option Plan

Pursuant to the Arrangement, the unit option plan of the Trust that was adopted in 2010 became a stock option plan of Eagle, 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:

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	-	-	3,159,418	5.54
Cancelled	-	-	(3,159,418)	5.48
Exercised	-	-	-	-
Granted	-	-	-	-
Outstanding at end of year	**-**	**-**	-	-
Exercisable at end of year	**-**	**-**	-	-

Note 8(c)

Cash settled RURs

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

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 was the final payment of amounts due under the RUR agreement unless or until dividend payments are reinstated.

For the year ended December 31, 2017, $9,483 was paid to the RUR holders (year ended December 31, 2016 - $62,496).

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

	Year Ended December 31, 2017	Year Ended December 31, 2016
Balance, beginning of year	632,500	632,500
Issued	-	-
Forfeited	-	-
Balance, end of year	**632,500**	632,500
Number of RURs vested	**632,500**	632,500

The December 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 $0.34 per share as compared to $0.77 per share at December 31, 2016). Based on these assumptions, the fair value at the December 31, 2017 balance sheet was $nil per RUR (December 31, 2016 - $nil per RUR).

Note 8(d)

UR Plan

In 2011, the Trust adopted a cash-settled unit rights incentive plan for the U.S.-based directors, officers, employees and eligible consultants of the Trust's U.S. operating subsidiary. Each UR entitled the holder to receive cash payments equal to the distributions paid on one unit as well as capital appreciation (increases in the fair market value) of the units less a capital deficiency (decreases in the fair market value) of the units. Distributions did not give rise to a payout amount as long as there was a capital deficiency.

The URs were terminated on February 23, 2016 and the UR Plan was terminated on March 31, 2016. Accordingly, no amounts were paid during for the year ended December 31, 2017 (year ended December 31, 2016 - $nil).

The following schedule shows the continuity of cash settled URs:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Balance, beginning of year	-	653,500
Issued	-	-
Forfeited	-	(653,500)
Balance, end of year	**-**	-
Number of URs vested	**-**	-

9. Foreign Exchange

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

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Net (gain) loss arising on settlement of foreign currency transactions arising out of operating activities - realized	(2)	5
Foreign exchange (gain) loss on U.S. denominated debt - unrealized	(4,536)	-
Foreign exchange (gain) loss on Canadian denominated intercompany loan - unrealized	5,593	2,397
Foreign exchange (gain) loss on U.S. denominated risk management liabililty - unrealized	(41)	-
Foreign exchange loss net	**1,014**	2,402

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

$000's	**As at December 31, 2017**	As at December 31, 2016
Beginning balance	35,372	35,615
Foreign currency translation loss	(764)	(243)
Ending balance	**34,608**	35,372

10. Finance Expense

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Interest expense on debt	6,471	2,487
Standby and bank fees	50	178
Accretion of decommissioning provision	495	458
Amortization of deferred financing costs	1,212	771
Finance expense	**8,228**	3,894

11. Taxation

Reconciliation of Effective Tax Rate

The income tax provision differs from the amount that would have been expected if the reported (loss) earnings had been subject only to the statutory Canadian income tax rate of 27% (2016 - 27%) as follows:

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
(Loss) earnings before taxes	(17,348)	9,634
Expected tax rate (%)	27	27
Expected income tax provision	(4,684)	2,601
Decrease (Increase) resulting from:		
Non-deductible items – permanent differences:		
Administrative expenses of Eagle	-	83
Share-based compensation	161	105
Foreign exchange loss (gain), net	3,403	2,295
Foreign tax rate differentials	(1,269)	890
Change in statutory rate	19,931	-
Non-taxable portion of capital gain	-	(5,164)
Changes in temporary differences for which no amounts are recognized	(17,311)	(902)
Return to provision true up	(232)	(87)
Other	2	254
Total income tax expense[1]	**1**	**75**

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

On December 22, 2017, the United States government enacted the *Tax Cuts and Jobs Act* which implemented significant changes to the U.S. tax legislation including a decrease to federal corporate income tax rate from 35% to 21% effective January 1, 2018.

Deferred Tax Assets and Liabilities

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

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Deferred tax assets (liability) - capital assets:		
United States	(1,143)	(1,620)
Canada	14,198	13,995
	13,055	12,375
Deferred tax assets - non-capital losses:		
United States	30,022	47,412
Canada	17,494	18,095
	47,516	65,507
Deferred tax asset - capital loss:		
Canada	5,164	5,164
Deferred tax asset	65,735	83,046
Unrecognized deferred tax asset	(65,735)	(83,046)
Net deferred tax asset	-	-

Movement in Temporary Differences during the Year:

$000's	Statement of Earnings		Balance Sheet	
For the year ended December 31,	**2017**	2016	**2017**	2016
Oil and gas properties	(680)	12,665	13,055	12,375
Deferred tax on acquisition	-	163	-	-
Capital tax losses	-	(5,164)	5,164	5,164
Non-capital tax losses	17,991	(6,762)	47,516	65,507
	17,311	902	**65,735**	83,046

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

12. Depreciation, Depletion and Impairment

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

	Year Ended December 31, 2017		
$000's	Oil and gas properties	Property, plant and equipment	Total
Depreciation, depletion and amortization	19,958	56	20,014
Impairment expense	12,379	-	12,379
	32,337	**56**	**32,393**

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

Impairment of Oil and Gas Properties

For the year ended December 31, 2017, Eagle recognized a $12.4 million impairment on its oil and gas properties in relation to the Salt Flat CGU. For the year ended December 31, 2016, Eagle recognized a $7.0 million impairment on its oil and gas properties in relation to the Dixonville CGU and a $41.1 million impairment recovery for the Salt Flat, Hardeman and Twining CGUs. The 2017 impairment in Salt Flat was to record the fair value of the property that was disposed of on February 8, 2018. (refer to note 23 "Subsequent Events").

13. Employees and Key Management

The aggregate remuneration of employees and key management personnel in total and for each of the following categories was as follows:

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Short term employee benefits	8,249	8,609
Share-based payments (i)	586	552
Total employee and executive remuneration	**8,835**	9,161

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

Key management personnel include the Directors, Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, General Counsel/Corporate Secretary, Vice President, Operations and Vice President, Finance and Controller. The aggregate remuneration of key management personnel in total and for each of the following categories was as follows:

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Directors' fees	197	184
Short term employee benefits	2,122	2,066
Share-based payments (i)	340	358
Total key management personnel remuneration	**2,659**	2,608

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

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

14. (Loss) Earnings per Share

$000's except for per share amounts	**Year Ended December 31, 2017**	Year Ended December 31, 2016
(Loss) earnings attributable to shareholders	(17,349)	9,559
Weighted average number of shares outstanding - basic and diluted	43,302	41,892
(Loss) earnings per share - basic and diluted	**(0.40)**	0.23

Calculation

Basic income per share is calculated by dividing the income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted income per share is calculated using the income for the period divided by the weighted average number of shares outstanding adjusted for the effects of all potentially dilutive shares. For the year ended December 31, 2017, 1.7 million shares were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

15. 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	3,131
Transferred to oil and gas properties	(4,105)
Expense	-
Foreign exchange adjustment	(33)
Balance at December 31, 2017	**-**

During 2017, Eagle transferred $4.1 million to oil and gas properties as a result of successful drilling in the North Texas area. During 2017, Eagle expensed $nil (2016 - $nil) of exploration and evaluation assets related to projects that were not commercially viable and for which Eagle did not receive an assignment of economical recoverable reserves.

During 2017, Eagle purchased $3.1 million of land in the North Texas area. The December 31, 2016 balance related to seismic incurred to evaluate lands on which Eagle held a right to explore.

16. 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/transfer	25,108
Dispositions	(105)
Decommissioning obligation additions and change in estimates	(185)
Effects of foreign exchange	(21,963)
Balance at December 31, 2017	**487,202**
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	(19,916)
Impairment	(12,379)
Effects of foreign exchange	15,192
Balance at December 31, 2017	**(293,829)**
Net book value:	
At December 31, 2016	207,621
At December 31, 2017	**193,373**

Eagle does not capitalize general and administrative costs. Future development costs related to proved plus probable reserves of $96.1 million (December 31, 2016 - $65.1 million) were included in the depletion calculation.

2016 "Acquisitions" refers to the Arrangement. See note 6 "Business Combination".

Impairment Provision

Eagle recognized an impairment charge during 2017. See note 12 "Depreciation, Depletion, and Impairment".

Eagle uses fair value less costs to dispose and after-tax discount rates to calculate the recoverable amount of each CGU. To determine fair value less costs to dispose, Eagle considered recent transactions within the industry, long-term views of commodity prices, externally evaluated reserve volumes and after-tax discount rates specific to the CGU. The Salt Flat, North Texas and Twining CGUs were calculated at an 11% discount rate and the Dixonville CGU was calculated at 11.6% (2016 – Salt Flat, North Texas and Twining – 11%, Dixonville – 11.6%).

The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. A 1% increase (decrease) in the discount rate would have decreased (increased) the fair value estimate by approximately $13.9 million. In addition, a 10% increase (decrease) in the estimated future cash flows would have increased (decreased) the fair value estimate by $27.8 million.

The following commodity price estimates were used in determining whether an impairment to the carrying value of the CGUs existed at December 31, 2017:

	WTI Oil ($US/bbl)	***Edmonton Light Crude ($CA/bbl)***	***Henry Hub Gas ($US/MMBtu)***	***AECO Spot Gas ($CA/MMBtu)***
2018	58.50	70.10	3.00	2.25
2019	58.70	71.30	3.05	2.65
2020	62.40	74.90	3.25	3.05
2021	69.00	80.50	3.55	3.40
2022	73.10	82.80	3.80	3.60
2023	74.50	84.40	3.85	3.65
2024	76.00	86.10	3.95	3.75
2025	77.50	87.80	4.00	3.80
2026	79.10	89.60	4.10	3.90
2027	80.70	91.40	4.15	3.95
2028	82.30	93.20	4.25	4.05
2029	83.90	95.00	4.35	4.15
2030	85.60	97.00	4.45	4.25
2031	87.30	98.90	4.50	4.30
2032	89.10	100.90	4.60	4.35
Escalate thereafter at	2.0%/year	2.0%/year	2.0%/year	2.0%/year

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

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

17. Debt

On March 13, 2017, Eagle retired all amounts drawn under its $70.0 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 a U.S.-based lender.

At December 31, 2017 Eagle's borrowing base was $76.0 million and was to continue until the next scheduled redetermination, interim redetermination or other adjustment of the borrowing base pursuant to the Terms of the Loan Agreement.

Effective March 15, 2018, and after giving effect to the early 2018 disposition of the Salt Flat properties (refer to note 23 "Subsequent Events"), the lender finalized its borrowing base redetermination and set the borrowing base at $CA 66.0 million (the approximate Canadian dollar equivalent of $US 51.6 million).

At December 31, 2017, Eagle had drawn approximately $73.0 million (the approximate December 31, 2017 Canadian dollar equivalent of $US 58.2 million) under the Loan Agreement.

Eagle currently has $US 38.5 million drawn on the $US 51.6 million borrowing base, with the option to draw, by way of a Notice of Borrowing, the remaining incremental term loan amount up to the borrowing base, prior to March 13, 2019.

The details of Eagle's debt were as follows:

$000's	**December 31, 2017**	December 31, 2016
Amount drawn	73,035	61,245
Less deferred financing charges	(4,957)	(163)
Debt	**68,078**	61,082

At December 31, 2017 and December 31, 2016 there were no covenant violations. 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 semi-annual borrowing base determinations which are directly impacted by the value of the oil and natural gas reserves.

Violation of any financial covenant constitutes an immediate event of default under the Loan Agreement in which the lender 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).

The following lists the key terms of the Loan Agreement between Eagle and its lender after giving effect to all amendments and borrowing base redeterminations through March 20, 2018. (Refer to note 23, "Subsequent Events")

- Effective Date - March 13, 2017
- Term - 4 years
- Maturity Date - March 13, 2021
- Borrowing Base - $US 51.6 million
- Borrowing Base Redeterminations – Scheduled borrowing base redeterminations take place semi-annually (using reserve reports with effective dates of June 30 and December 31) and become effective when the new borrowing base notice is received from the lender. Such borrowing base remains in effect until the next borrowing base redetermination. The borrowing base redeterminations are effective for Eagle and its lender on March 15 and September 15 of each year. For purposes of semi-annual borrowing base redeterminations, Eagle will provide its lender with reserve reports with effective dates of June 30 and December 31. Failure of Eagle to provide a semi-annual reserve report constitutes an immediate event of default.

Upon receipt by the lender of the semi-annual reserve report (and other reports, data and supplemental information as may be reasonably requested), the lender will evaluate the information and propose a new borrowing base based upon an advance rate of 75% of the proved developed producing reserves value, before tax, 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. Changes to the financial covenants resulting from the fifth Amendment are indicated in italics:

(a) Consolidated Leverage Ratio

As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Leverage Ratio of not greater than (i) for the quarter ending June 30, 2017, 3.85 to 1.00, (ii) for the quarters ending September 30, 2017 and December 31, 2017, 3.50 to 1.00 and (iii) for each quarter ending on or after March 31, 2018, *3.50 to 1.00. (prior to the fifth Amendment, the ratio for quarters ending on or after March 31, 2018 was 3.00 to 1.00)*

As at December 31, 2017, the Consolidated Leverage Ratio was 3.32 to 1.0.

The "Consolidated Leverage Ratio" is defined in the Loan Agreement as the ratio of Consolidated Funded Debt to Consolidated Adjusted EBITDAX (as defined below) 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.

(b) Consolidated Fixed Charge Ratio

As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Fixed Charge Ratio of not less than *1.70 to 1.00 (prior to the fifth Amendment the ratio was 2.25 to 1.00).*

As at December 31, 2017, the Consolidated Fixed Charge Ratio was 2.41 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 and with one-time interest charges relating to the disposition of the Salt Flat properties being excluded from interest expense).*

(c) Asset Coverage Ratio

As at June 30 and December 31 of each fiscal year, and based on reserve reports internally prepared by Eagle, Eagle is to maintain an Asset Coverage Ratio of not less than 1.333 to 1.000.

As at December 31, 2017, the Asset Coverage Ratio was 1.51 to 1.00.

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

(d) Consolidated Current Ratio

As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Current Ratio of not less than 1.00 to 1.00.

As at December 31, 2017, the Consolidated Current Ratio was 1.06 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) *actual cash transaction costs and expenses directly incurred in connection with the disposition of the Salt Flat properties;*

(c) 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;

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

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

(f) 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; and

(g) 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 disposition as if such acquisition or disposition occurred at the beginning of such period, *but is not adjusted on a pro-forma basis for the disposition of the Salt Flat properties.*

At December 31, 2017, details of Eagle's Loan Agreement are as follows:

$000's	$CA
Authorized (term loan)	76,399
Less:	
Amounts drawn	(73,035)
Available	3,364

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

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

18. Decommissioning Liability

$000's	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Beginning balance	26,202	26,998
Acquisition	-	73
Additions	454	29
Change in estimate due to acquired and disposed properties	(45)	180
Other changes in estimates	(582)	(1,427)
Abandonment expenditures	(54)	-
Accretion (unwinding of discount)	495	458
Effects of exchange rate	(236)	(109)
Ending balance	**26,234**	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 2.0% annual inflation rate), and discounted using a risk-free discount rate at December 31, 2017 of 2.04% for the Salt Flat, North Texas, Twining and NW Alberta properties (December 31, 2016 - 1.72%), and 2.26% for the Dixonville properties (December 31, 2016 - 2.3%).

19. Share Capital

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

Shares Outstanding

	Year Ended December 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 6)	-	-	7,588	5,539
Issuance of shares pursuant to the RSUs and PSUs	851	503	-	-
Share issuance costs	-	-	-	(906)
Ending balance	**43,302**	**320,515**	42,451	320,012

During 2017, 850,363 shares were issued pursuant to the 2016 Equity Incentive Plan. Refer to note 8, “Share-based Payments”.

On January 27, 2016, as part of the Arrangement, Eagle issued 7.59 million shares value at $0.73 per share for a total value of $5.5 million (see note 6 “Business Combination”). Costs associated with issuing shares pursuant to the Arrangement were approximately $906,000.

20. Supplemental Cash Flow Information

Changes in Non-Cash Working Capital

Changes in non-cash working capital, excluding long-term debt and acquired working capital are as follows:

$000's	**December 31, 2017**	December 31, 2016
Accounts receivable	1,191	2,962
Deposits and prepaid expenses	(376)	(1,031)
Accounts payable and accrued liabilities	(6,658)	1,657
Dividend payable	212	311
Change in non-cash working capital	(5,631)	3,899
Related to:		
Operating activities	2,597	(2,233)
Financing activities	3,266	(1,355)
Investing activities	(212)	(311)
Working capital acquired	(20)	-

Reconciliation of Financing Liabilities Arising from Financing Activities

The following table provides a detailed breakdown of the cash and non-cash changes in financing liabilities arising from financing activities:

$000's	**Debt**	**Dividend Payable**
Balance at December 31, 2016	61,082	212
Cash flows	5,784	-
Amortization of debt issuance costs	1,212	-
Change in dividends payable	-	(212)
Balance at December 31, 2017	68,078	-

21. Related Party Disclosures

Eagle has no party holding voting control.

Key Management

Key management personnel include the Directors, Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, General Counsel/Corporate Secretary, Vice President, Operations and Vice President, Finance and Controller. Refer to note 13 “Employees and Key Management”.

Intercompany Transactions

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

22. 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 62 months and approximately $2.3 million remaining at December 31, 2017.

Operating Lease Commitment – New Office Lease in Houston, Texas

Eagle entered into an office lease in Houston on September 22, 2017 to replace the lease expiring on December 31, 2017. The term of the lease is from February 1, 2018 to August 31, 2025. Total minimum lease payments during the term of the lease approximate $US 1.2 million. The total minimum lease payments approximate $CA 1.5 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.25.

Vehicle Lease Commitments – Texas

Eagle has entered into five vehicle lease agreements in Texas. The terms of the leases range from August 17, 2016 to October 27, 2020. Total minimum lease payments during the term of the lease approximate $US 0.2 million with 46 months and approximately $US 0.12 million remaining at December 31, 2017. The remaining future minimum lease payments approximate $CA 0.15 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.25.

Legal Proceedings

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

23. Subsequent Events

Sale of Salt Flat, Texas Interests

On February 8, 2018 Eagle sold its oil and gas interests in the Salt Flat field located in Caldwell County, Texas for approximately $33.3 million cash, subject to customary post-closing adjustments.

Term Loan Financing – Fourth Amendments

Effective February 8, 2018, Eagle and its lender entered into the fourth amendment to the Loan Agreement. The purpose was to consent to the sale of the Salt Flat field and to amend the Loan Agreement.

Term Loan Financing – Fifth Amendment

Effective March 20, 2018, Eagle and its lender entered into the fifth amendment to the Loan Agreement. The purpose was to amend the Loan Agreement to keep the consolidated leverage ratio at 3.50 times, to reduce the consolidated fixed charge ratio to 1.7 times, to reduce the frequency of borrowing base redeterminations to semi-annually, to reduce the frequency of the Asset Coverage Ratio to semi-annually and to amend certain definitions used for the covenant calculations to remove one-time charges related to the disposition of the Salt Flat interests.

Corporate Information

Board of Directors

Richard W. Clark
Executive Chairman

Warren D. Steckley [(2)(3)]
Lead Independent Director

Bruce K. Gibson [(1)]
Director

F. Wayne McWhorter
Director

J. Wayne Wisniewski
Director, President and Chief Executive Officer

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

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Officers

J. Wayne Wisniewski
Director, President and Chief Executive Officer

Kelly A. Tomyn
Chief Financial Officer

Glen D. Glass
Vice President, Operations

Brenda F. Galonski
Vice President, Finance and Controller

Jo-Anne M. Bund
General Counsel and Corporate Secretary

Auditors

PricewaterhouseCoopers LLP

Trustee and Transfer Agent

Computershare Trust Company of Canada

Engineering Consultants

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

Legal Counsel

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