EAGLE ENERGY™
INC.

Financial Report
First Quarter 2018

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Management's Discussion and Analysis

May 10, 2018

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations for Eagle Energy Inc. ("**Eagle**"), dated May 10, 2018, should be read in conjunction with Eagle's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2018 ("**Interim Financial Statements**") and Eagle's audited consolidated financial statements and accompanying notes and related MD&A 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 Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Items included in the financial statements of Eagle and each of its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the **"functional currency**"). The Interim Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of Eagle.

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

The foreign exchange rate at March 31, 2018 was $US 1.00 equal to $CA 1.29 (December 31, 2017 - $US 1.00 equal to $CA 1.25), and the average foreign exchange rate for the three months ended March 31, 2018 was $US 1.00 equal to $CA 1.26 (for the three months ended March 31, 2017 - $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

Eagle Energy Inc. ("**Eagle**") is incorporated under the laws of Alberta with common shares that are widely held and listed on the Toronto Stock Exchange with its common shares trading under the symbol "EGL". Eagle is engaged in the acquisition, exploration and production of petroleum and natural gas reserves in Alberta, Canada and Texas, United States.

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 Three Months ended March 31, 2018

- Disposed of the Salt Flat Field in Caldwell County, Texas for cash proceeds of $34.4 million in early February.
- Reduced long term debt by 34% (from $US 58.2 million to $US 38.5 million) and further funded the North Texas drilling program with net proceeds from the Salt Flat disposition.
- Drilled a second horizontal well in North Texas at a location over 10 miles from the first horizontal well, with completion operations currently underway.
- Field netback improved by 32% on a per barrel of oil equivalent ("**boe**") basis (from $20.81 to $27.47 per boe) when compared to the first quarter of 2017.
- Increased funds flow from operations excluding one-time disposition costs and debt prepayment expenses by 219% (from $1.6 million to $5.1 million) when compared to the first quarter of 2017.
- Recorded $1.7 million of funds flow from operations and $5.1 million for funds flow from operations excluding one-time disposition costs and debt prepayment expenses.
- Reduced general and administrative costs, excluding one-time disposition costs, by 24% when compared to the first quarter of 2017.

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 was brought on production in December 2017 and continues to perform above expectations. Eagle has drilled its second horizontal well at a location over 10 miles from the first horizontal well, with completion operations currently underway. 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 on this project. Alternatives for funding growth could potentially include asset sales. The February 8, 2018 disposition of Eagle's assets in Salt Flat was an initial step towards Eagle achieving its overall goals.

The Salt Flat disposition reduced Eagle's total corporate production by approximately 1,200 boe per day ("**boe/d**"). Following the Salt Flat disposition, 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 Salt Flat disposition 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 debt prepayment expenses relating to the disposition, lower debt levels 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.

Consolidated Results of Operations

Production

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Working interest (boe/d)	2,772	3,545	(22)
Royalty interest (boe/d)	202	222	(9)
Total (boe/d)	**2,974**	3,767	(21)

Working interest sales volumes for the first quarter of 2018 averaged 2,772 boe/d (82% oil, 5% NGLs, 13% natural gas), and decreased over the prior year's comparative quarter due to the Salt Flat disposition of approximately 1,200 boe/d being partially offset by production from wells drilled in Eagle's Twining and North Texas areas. Royalty interest volumes for the quarter averaged 202 boe/d (22% oil, 19% NGLs, 59% natural gas).

Average Daily Production by Product Type

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Working Interest			
Oil (bbl/d)	2,263	3,101	(27)
Natural gas (Mcf/d)	2,278	2,077	10
NGLs (bbl/d)	129	98	32
Oil equivalent sales volumes (boe/d @6:1)	**2,772**	3,545	(22)
Royalty Interest			
Oil (bbl/d)	45	57	(21)
Natural gas (Mcf/d)	714	763	(6)
NGLs (bbl/d)	38	38	-
Oil equivalent sales volumes (boe/d @6:1)	**202**	222	(9)
Total			
Oil (bbl/d)	2,308	3,158	(27)
Natural gas (Mcf/d)	2,992	2,840	5
NGLs (bbl/d)	167	136	23
Oil equivalent sales volumes (boe/d @6:1)	**2,974**	3,767	(21)

Revenue

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	%
Working Interest Revenue			
Oil	13,986	16,581	(16)
Natural gas	486	558	(13)
NGLs	453	289	57
Other	140	246	(43)
	15,065	17,674	(15)
Royalty Interest Revenue			
Oil	255	275	(7)
Natural gas	99	158	(37)
NGLs	115	115	-
Other	-	-	-
	469	548	(14)
Total Revenue			
Oil	14,241	16,856	(16)
Natural gas	585	716	(18)
NGLs	568	404	41
Other	140	246	(43)
	15,534	18,222	(15)

Product Prices

Realized Prices	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	%
Oil ($/bbl)	68.56	59.31	16
Natural gas ($/Mcf)	2.17	2.80	(23)
NGLs ($/bbl)	37.79	33.01	14
Other ($/bbl)	0.52	0.73	(29)
Revenue ($/boe)	**58.06**	53.76	8

Benchmark prices	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	%
WTI crude oil ($US/bbl)	**62.87**	51.90	21
Exchange rate ($CA/$US)	**1.26**	1.32	(5)
Edmonton Par crude oil ($CA/bbl)	**70.09**	64.74	8
NYMEX Gas ($US/Mcf)	**2.84**	3.06	(7)
AECO natural gas ($CA/Mcf)	**2.06**	2.69	(23)

Eagle's 2018 first quarter revenue is 92% derived from oil. Realized oil prices in Canadian dollars for the three months ended March 31, 2018 increased by 16% when compared to the three months ended March 31, 2017 due to a higher first quarter 2018 benchmark WTI crude oil price. The realized price increase is less than the WTI increase due to increased differentials on Canadian crude oil.

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 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, including quality and transportation, is a discount of approximately $CA 21.09 per barrel in the first quarter of 2018 compared to $CA 17.36 per barrel in the first quarter of 2017. For the Twining properties in Canada, the entire differential to WTI, including quality and transportation, is a discount of approximately $CA 20.70 per barrel in the first quarter of 2018, compared to $CA 10.56 per barrel in the first quarter of 2017. Since the end of the first quarter, industry has seen an improvement, or narrowing, of Canadian differentials.

The above prices do not include realized gains or losses from financial commodity contracts, which amounted to a loss of $0.6 mm ($2.29/boe) for the three months ended March 31, 2018. See "Realized and Unrealized Risk Management Loss (Gain)".

Royalties

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Total royalties ($000's)[1]	**3,073**	4,004	(23)
$/boe[2]	11.49	11.81	(3)
Royalty rate on working interest sales	20%	23%	(13)

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 of approximately 20% for the three months ended March 31, 2018 was lower than the prior year comparative period because the relative production from Canadian properties has increased over the U.S. properties due to the disposition of Salt Flat. For the first quarter of 2018, 61% of production was from the Canadian properties and 39% was from the U.S. properties. For the first quarter of 2017, these percentages were 51% and 49%, respectively. Canadian properties had an average royalty rate of 15% in the first quarter of 2018 compared to 25% on the U.S. properties. 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) if wells qualify for royalty holidays. Alberta PAR commodity prices reflect market prices. Royalty rates for Eagle's U.S. properties generally do not fluctuate with underlying commodity prices.

Operating Expenses

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Total operating expenses ($000's)[1]			
Operating expenses	4,550	6,698	(32)
Transportation and marketing expenses	559	467	20
	5,109	7,165	(29)
($/boe)[2]			
Operating expenses	17.01	19.76	(14)
Transportation and marketing expenses	2.09	1.38	51
	19.10	21.14	(10)

Notes:

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

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

Total operating expenses (inclusive of transportation and marketing expenses) of $5.1 million for the three months ended March 31, 2018 are comprised primarily of power (13%), fuel (9%), oil transportation (8%), chemicals (6%),

field salaries (6%) and water disposal fees (4%). For the three months ended March 31, 2017, total operating expenses of $7.2 million were comprised primarily of power (19%), field salaries (7%), chemicals (6%), oil transportation (6%) and water disposal fees (5%). Of the $2.1 million quarter-over-quarter decrease in operating expenses, $1.7 million is due to the Salt Flat disposition.

Quarter-over-quarter transportation and marketing expenses on a per boe basis increased due to higher marketing fees on the U.S. properties.

Field Netback

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	$000's	**$/boe**	$000's	$/boe
Revenue	15,534	58.06	18,222	53.76
Royalties	(3,073)	(11.49)	(4,004)	(11.81)
Operating expenses	(4,550)	(17.01)	(6,698)	(19.76)
Transportation and marketing expenses	(559)	(2.09)	(467)	(1.38)
Field netback	**7,352**	**27.47**	7,053	20.81
Sales volumes (boe/d)		**2,974**		3,767

During the first quarter, Eagle averaged revenue of $58.06 per boe and realized a field netback of $27.47 per boe. When compared to the prior year, the increase in field netback per boe is primarily due to the increase in commodity prices and decrease in field operating expenses. Prior to the early February disposition, first quarter 2018 revenue from Salt Flat totaled $2.5 million and operating expenses totaled $0.8 million. For the first quarter of 2017, those figures were $6.1 million and $2.5 million, respectively.

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

Administrative Expenses

($000's)	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	**%**
Administrative expenses	1,809	2,387	(24)
Costs associated with the disposition	1,087	-	-
Total administrative expenses	**2,896**	2,387	21
$/boe	10.82	7.04	54

If the one-time costs associated with the disposition are excluded, first quarter 2018 administrative expenses are $6.76 per boe which are below first quarter 2017 levels.

Total administrative expenses for the three months ended March 31, 2018 were $2.9 million. For the three months ended March 31, 2018, staff and related employment costs, professional fees and office costs accounted for 51%, 35% and 9%, respectively (three months ended March 31, 2017 – 70%, 6% and 17%, respectively). Included in total administrative expenses for the first quarter of 2018 are one-time transaction costs of $1.1 million associated with the Salt Flat disposition.

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	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 March 31, 2018**	Three Months Ended March 31, 2017	**%**
Realized loss (gain)	613	1,929	(68)
Unrealized loss (gain)	216	(5,900)	(104)
Net loss (gain)	**829**	(3,971)	(121)

On a quarter-over-quarter basis, the net value of the commodity price contracts has decreased. The net value of 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. 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.

Eagle had 1,000 barrels of oil per day hedged at an average WTI price of $US 57.50 for the first quarter of 2018 and has 1,000 barrels of oil per day hedged at an average WTI price of $US 57.50 for the second quarter of 2018.

Finance Expense

($000's)	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	**%**
Finance expense	1,939	1,432	35
Finance expense associated with the partial prepayment of long-term debt	3,113	-	-
Total finance expense	**5,052**	1,432	253
$/boe	18.88	4.22	347

If one-time finance costs associated with the Salt Flat disposal and partial debt prepayment are excluded, first quarter 2018 finance expense on a per boe basis is $7.25 per boe.

During the first quarter of 2017, and in anticipation of the 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 current 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 disposed of its oil and gas interests in the Salt Flat field located in Caldwell County, Texas for $34.4 million cash and used part of the net proceeds to reduce its term loan by 34% (from $US 58.2 million to $US 38.5 million).

At present, funds borrowed are denominated in U.S. dollars and have a coupon rate of LIBOR plus 8% (with LIBOR having a floor of 1%) whereas for the prior year's comparative quarter, funds borrowed were denominated in Canadian dollars and primarily done through banker's acceptances.

For the three months ended March 31, 2018, higher finance expense is reflective of a higher interest rate and additional amortization of deferred financing costs on the term loan.

For the three months ended March 31, 2018, the effective interest rate, excluding the one-time finance costs associated with the prepayment of the term loan, was 12.11% (three months ended March 31, 2017 - 8.13%).

Funds Flow from Operations

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

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	$000's	**$/boe**	$000's	$/boe
Field netback[1]	7,352	27.47	7,053	20.81
Cash settled award payments	-	-	(9)	(0.03)
Administrative expenses - cash	(2,896)	(10.82)	(2,387)	(7.04)
Realized risk management loss	(613)	(2.29)	(1,929)	(5.69)
Finance expense - cash	(3,766)	(14.07)	(1,137)	(3.35)
Amortization of leasehold inducement	-	-	(2)	(0.01)
Realized foreign exchange gain (loss)[2]	1,641	6.13	-	-
Funds flow from operations	**1,718**	**6.42**	1,589	4.69

Notes:

(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 and partial repayment of U.S. denominated debt.

2018 Sensitivities

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

	Quarterly impact on ➔	**Funds flow from operations ($000's)**	**Funds flow from operations / share[1]**
Gas price[2]	$US 0.10/mcf Henry HUB	23	-
Oil price[2]	$US 1.00/bbl WTI	208	-
Gas production	+1000 mcf/d	154	-
Oil production	+100 bbls/d	302	0.01
Currency[2]	CA weaken by $0.01	45	-
Interest rate	+1% prime	(152)	-

Notes:

(1) Per share figures are based on 43,316,936 weighted average basic shares outstanding for the three months ended March 31, 2018.

(2) Price and currency sensitivities are calculated assuming an average yearly production rate equal to year to date average working interest and royalty sales volumes of 2,974 boe/d.

Depreciation, Depletion and Amortization

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	**%**
Depreciation, depletion and amortization	3,220	4,946	(35)
Impairment recovery	(1,475)	-	-
Total	**1,745**	4,946	(65)

The depletion, depreciation, and amortization provision for the three months ended March 31, 2018 for all properties was based on proved plus probable reserves, including the future development costs associated with those reserves, as outlined in the year end 2017 reserves evaluation report prepared by Eagle's independent reserves evaluators.

For the Dixonville properties, a slight decrease in carrying value due to 2017 depletion, combined with a decrease in reserves resulted in a higher depletion rate of $6.50 per boe in the first quarter of 2018 compared to $6.37 per boe in the first quarter of 2017.

For the Twining properties, a 54% increase in carrying value, due to higher future development capital for additional proved undeveloped reserve bookings at 2017 year-end, resulted in a higher depletion rate of $14.98 per boe in the first quarter of 2018 compared to $13.36 per boe in the first quarter of 2017.

For the North Texas properties, an increase in carrying value due to higher future development capital, but also incremental reserve bookings at 2017 year-end, resulted in a lower depletion rate of $18.08 per boe in the first quarter of 2018 compared to $20.47 per boe for the first quarter of 2017.

On an overall corporate level, the quarter-over-quarter depletion rate decreased 16% to $12.27 per boe from $14.54 per boe. When the lower rate is combined with lower production, due to the disposition of Salt Flat, the result was lower depreciation, depletion and amortization expense in the first quarter of 2018 versus the first quarter of 2017.

For the three months ended March 31, 2018, Eagle recognized a $1.5 million impairment recovery relating to the Salt Flat disposition.

At March 31, 2018, Eagle assessed each of its CGUs and determined there were no indicators of impairment. An assessment will be done in each quarter of 2018.

Foreign Exchange (Gain) Loss

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Net gain arising on settlement of foreign currency transactions arising out of operating activities	(136)	-
Foreign exchange gain on repayment of U.S. denominated debt	(1,505)	-
Realized gain on foreign exchange	**(1,641)**	-
Foreign exchange loss on U.S. denominated debt	2,791	-
Foreign exchange (gain) loss on Canadian denominated intercompany loan	(1,878)	780
Foreign exchange loss on U.S. denominated risk management liability	41	-
Unrealized loss on foreign exchange	**954**	780
Foreign exchange (gain) loss, net	**(687)**	780

Both the net gain arising on the settlement of foreign currency transactions arising out of operating activities and the gain on the repayment of U.S. denominated debt are recorded as realized gains in the statement of earnings or loss.

The unrealized foreign exchange loss on the U.S. denominated debt (see "Loan Agreement" under Liquidity and Capital Resources) is a non-cash entry and is a result of the re-evaluation of the U.S. based term loan to the Canadian dollar equivalent amount on each balance sheet date. The change in the Canadian dollar amount is recorded as unrealized in the statement of earnings or loss. For the three months ended March 31, 2018, an unrealized loss of $2.8 million is shown due to an increase in the foreign exchange rate from December 31, 2017 to March 31, 2018.

When the balance of the U.S. denominated debt changes due to a repayment, as it did in February 2018 when proceeds from the Salt Flat disposition were used to partially pay down debt, the foreign exchange gain or loss is a realized gain or loss in the statement of earnings or loss. For the three months ended March 31, 2018, a realized gain of $1.5 million is shown due to the $US 18.0 million term loan repayment, and the decrease in the foreign exchange rate from the March 2017 inception of the loan to the February 2018 repayment.

The $1.9 million unrealized foreign exchange gain on the Canadian denominated intercompany loan for the three months ended March 31, 2018 is a non-cash entry and is a result of a U.S. subsidiary holding a Canadian dollar denominated loan issued by its parent. The intercompany loan is eliminated on consolidation, but it is no longer considered part of the net investment in the subsidiary (because amounts have been repaid in the past); thus, any related period-end foreign exchange translation adjustment is recorded in the statement of earnings or loss as opposed to currency reserves in shareholders' equity.

Capital Expenditures

Capital expenditures during the three month period ended March 31, 2018 were as follows:

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Land	-	2,184
Intangible drilling and completions	2,243	9,052
Well equipment and facilities	32	576
Other	2	4
Total	**2,277**	11,816

Capital expenditures in the first quarter primarily consisted of $1.8 million for North Texas drilling.

Summary of Quarterly Results

	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016
($000's except for boe/d and per share amounts)								
Sales volumes – boe/d	2,974	3,804	3,749	3,966	3,767	3,803	4,085	4,147
Revenue, net of royalties	12,461	14,725	12,459	14,167	14,218	13,891	12,854	13,149
per boe	46.57	42.08	36.12	39.25	41.95	39.72	34.20	34.84
Operating, transportation and marketing expenses	5,109	6,864	6,301	5,885	7,165	6,799	6,564	5,928
per boe	19.10	19.61	18.27	16.31	21.14	19.44	17.46	15.71
Field netback	7,352	7,861	6,158	8,282	7,053	7,092	6,290	7,221
per boe	27.47	22.47	17.85	22.94	20.81	20.28	16.74	19.13
Funds flow from operations	1,718	3,488	3,346	4,272	1,589	3,901	4,582	5,148
per boe	6.42	9.98	9.70	11.84	4.69	11.15	12.19	13.64
per share – basic	0.04	0.08	0.08	0.10	0.04	0.09	0.11	0.12
per share – diluted	0.04	0.08	0.07	0.10	0.04	0.09	0.11	0.12
Earnings (loss)	(2,568)	(14,293)	(4,711)	675	1,303	30,508	52	(9,288)
per share – basic	(0.06)	(0.34)	(0.11)	0.02	0.03	0.72	0.00	(0.23)
per share - diluted	(0.06)	(0.34)	(0.11)	0.02	0.03	0.72	0.00	(0.23)
Cash dividends declared	-	-	-	-	425	637	636	1,274
per issued share	0.00	0.00	0.00	0.00	0.01	0.015	0.015	0.03
Current assets	14,941	13,869	11,122	11,847	18,819	9,302	9,787	10,618
Current liabilities	7,528	13,715	8,042	6,599	11,474	74,758	72,387	75,035
Total assets	174,877	207,314	213,867	222,155	233,951	218,199	190,945	195,044
Total non-current liabilities	70,870	94,312	92,367	97,086	104,359	26,202	31,690	32,397
Shareholders' equity	96,479	99,287	113,458	118,470	118,118	117,239	86,868	87,612
Shares issued	43,750	43,302	43,302	42,857	42,857	42,452	42,452	42,452

For the three months ended March 31, 2018, sales volumes were lower than the previous quarters primarily due to the effect of the Salt Flat disposition, which closed on February 8, 2018, being only partially offset by additional production from wells drilled in Eagle's Twining and North Texas areas.

First quarter 2018 field netback on a per boe basis increased 22% from the fourth quarter of 2017 due to higher commodity prices, lower royalties and lower operating costs.

When one-time disposition costs and debt prepayment expenses ($3.4 million in total) associated with the February 2018 Salt Flat disposition are excluded from first quarter 2018 funds flow from operations, first quarter results show an increase of 46% (to $5.1 million from $3.5 million) from the fourth quarter of 2017. This is due to higher per boe field netbacks and a realized foreign exchange gain on debt repayment more than offsetting a 22% decrease in sales volumes due to the disposition.

Changes in earnings (loss) from one quarter to the next often do not move directionally or by the same amount as quarterly changes in funds flow from operations. This is due to items of a non-cash nature that factor into the calculation of earnings (loss), and those that are required to be fair valued at each quarter end. First quarter 2018 funds flow from operations was 51% less than the fourth quarter of 2017, yet first quarter 2018 net income was 82% more than the fourth quarter of 2017, primarily due to a non-cash impairment expense relating to oil and gas properties taken in the fourth quarter of 2017.

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 March 31, 2018	Three Months Ended March 31, 2017	%
Working interest			
Oil (bbl/d)	1,027	1,760	(42)
Natural gas (Mcf/d)	422	220	92
NGLs (bbl/d)	63	33	91
Oil equivalent sales volumes (boe/d @ 6:1)	**1,160**	1,830	(37)
Royalty interest			
Oil (bbl/d)	-	-	-
Natural gas (Mcf/d)	-	-	-
NGLs (bbl/d)	-	-	-
Oil equivalent sales volumes (boe/d @ 6:1)	**-**	-	-
Total			
Oil (bbl/d)	1,027	1,760	(42)
Natural gas (Mcf/d)	422	220	92
NGLs (bbl/d)	63	33	91
Oil equivalent sales volumes (boe/d @ 6:1)	**1,160**	1,830	(37)

Field Netback ($000's)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Revenue	7,712	10,580	(27)
Royalties	(1,897)	(2,885)	(34)
Operating expenses	(1,605)	(3,658)	(56)
Transportation and marketing expenses	(117)	(32)	266
Field netback	**4,093**	4,005	2
($/boe)			
Revenue	73.85	64.23	15
Royalties	(18.17)	(17.51)	4
Operating expenses	(15.37)	(22.20)	(31)
Transportation and marketing expenses	(1.12)	(0.20)	460
Field netback	**39.19**	24.32	61

Capital Activity	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Capital expenditures ($000's)	2,133	5,336	(60)
Wells drilled (rig-released)			
Gross	1.0	2.0	(50)
Net	1.0	2.0	(50)
Wells brought on-stream			
Gross	-	1.0	-
Net	-	1.0	-

On February 8, 2018, Eagle disposed of its oil and gas interests in the Salt Flat field located in Caldwell County, Texas. Prior to its disposition, Salt Flat produced approximately 1,200 boe/d.

Revenue for the quarter was received primarily from two customers: Texican Crude Hydrocarbons LLC ("**Texican**") and Sunoco Logistics Partners L.P. ("**Sunoco**"), with revenue received amounting to $4.2 million (55%) and $3.2 million (41%) respectively. For the first quarter of 2017, $5.9 million (56%) was received from Texican and $1.8 million (16%) from Sunoco.

North Texas Property

Capital expenditures for North Texas were $2.1 million in the first quarter and consisted primarily of $1.8 million for drilling.

Canada

Production	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Working interest			
Oil (bbl/d)	1,236	1,341	(8)
Natural gas (Mcf/d)	1,856	1,857	-
NGLs (bbl/d)	66	65	2
Oil equivalent sales volumes (boe/d @ 6:1)	**1,611**	1,716	(6)
Royalty interest			
Oil (bbl/d)	45	57	(21)
Natural gas (Mcf/d)	714	763	(6)
NGLs (bbl/d)	38	38	-
Oil equivalent sales volumes (boe/d @ 6:1)	**202**	222	(9)
Total			
Oil (bbl/d)	1,281	1,398	(8)
Natural gas (Mcf/d)	2,570	2,620	(2)
NGLs (bbl/d)	104	103	2
Oil equivalent sales volumes (boe/d @ 6:1)	**1,814**	1,937	(6)

Field Netback ($000's)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Revenue	7,822	7,642	2
Royalties	(1,176)	(1,119)	5
Operating expenses	(2,945)	(3,040)	(3)
Transportation and marketing expenses	(442)	(435)	2
Field netback	**3,259**	3,048	7
($/boe)			
Revenue	47.93	43.85	9
Royalties	(7.21)	(6.42)	12
Operating expenses	(18.05)	(17.44)	3
Transportation and marketing expenses	(2.71)	(2.50)	8
Field netback	**19.97**	17.49	14

Capital Activity	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	%
Capital expenditures ($000's)	142	6,476	(98)
Wells drilled (rig-released)			
Gross	-	3.0	-
Net	-	3.0	-
Wells brought on-stream			
Gross	-	1.0	-
Net	-	1.0	-

During the first quarter of 2018, capital expenditures were $0.1 million in Canada with average working interest plus royalty interest sales volumes of 1,814 boe/d.

Revenue for the first quarter was received primarily from Trafigura Canada General Partnership ("**Trafigura**") in the amount of $6.3 million (80%). For the first quarter of 2017, $6.2 million of revenue was received from Trafigura.

Dixonville Properties, Alberta

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

Twining Properties, Alberta

Twining production has increased slightly when compared to the first quarter of 2017 due to the 2017 drilling program.

Other Properties, Alberta

Working interest and royalty interest production from these non-operated properties acquired in January 2016 was maintained with minimal general and administrative and capital expenditures.

Corporate

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017	**%**
Administrative expenses - cash portion	(2,896)	(2,387)	21
Risk management gain (loss) - realized	(613)	(1,929)	(68)
Cash settled award payments	-	(9)	(100)
Finance expense - cash portion	(3,776)	(1,137)	232
Amortization of leasehold inducements	-	(2)	-
Realized foreign exchange gain	1,641	-	-
Total	**(5,644)**	(5,464)	3

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 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.

Effective March 15, 2018, and after giving effect to the February 2018 disposition of Salt Flat, the lender finalized its borrowing base redetermination and set the borrowing base at $CA 66.5 million (the approximate Canadian dollar equivalent of $US 51.6 million).

At March 31, 2018, Eagle had $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 19, 2019.

At March 31, 2018, the Company had a working capital surplus, excluding the non-cash risk management liability, of $8.3 million, with $49.7 million (the approximate March 31, 2018 Canadian dollar equivalent of $US 38.5 million) drawn under the Loan Agreement.

The details of Eagle's outstanding debt (translated into the approximate Canadian dollar equivalent) were as follows:

$000's	**March 31, 2018**	December 31, 2017
Amount drawn	49,688	73,035
Less deferred financing charges	(3,870)	(4,957)
Debt	**45,818**	68,078

At March 31, 2018 and December 31, 2017 there were no covenant violations. Draws under the Loan Agreement are subject to quarterly covenant calculations which are directly impacted by commodity prices, foreign exchange rate fluctuations, production levels and drilling results. The amount available under the Loan Agreement is subject to quarterly borrowing base determinations, which are directly impacted by the future 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 May 10, 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.

  (a) Consolidated Leverage Ratio

As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Leverage Ratio of not greater than 3.50 to 1.00 for each quarter ending on or after March 31, 2018.

As at March 31, 2018, the Consolidated Leverage Ratio was 2.15 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.

(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

As at March 31, 2018, the Consolidated Fixed Charge Ratio was 3.63 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.

At December 31, 2017, the Asset Coverage Ratio was 1.51 to 1.00. No test was required or performed at March 31, 2018.

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 March 31, 2018, the Consolidated Current Ratio was 2.24 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 (that is also a “material disposition”) as if such acquisition or disposition occurred at the beginning of such period, provided that the disposition of Salt Flat has been deemed not to constitute a material disposition.

Working Capital

At March 31, 2018, Eagle had a working capital surplus, excluding the non-cash risk management liability, of $8.3 million, with $49.7 million (the approximate March 31, 2018 Canadian dollar equivalent of $US 38.5 million) drawn under the Loan Agreement.

Shareholders’ Equity, Dividends and Outstanding Share Data

During the quarter, 318,851 RSUs and 129,652 PSUs vested and were settled through the issuance of 448,503 common shares from treasury with a value of $239,000.

At March 31, 2018, Eagle had issued 43,750,488 shares (December 31, 2017 – 43,301,986).

As at the date of this MD&A, 43,750,488 shares are issued and outstanding and 1,707,210 RSUs and 630,482 PSUs are outstanding (December 31, 2017 – 1,635,668 RSUs and 607,956 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)]	3,862	567	1,374	1,888
Total contractual obligations	**3,862**	**567**	**1,374**	**1,888**

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 59 months and approximately $2.2 million remaining at March 31, 2018.

(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 1.29.

(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 with 43 months and approximately $US 0.12 million ($CA 0.16) remaining at March 31, 2018. The remaining future minimum lease payments approximate $CA 0.14 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.29.

Non-IFRS Financial Measures

Statements throughout this MD&A make reference to the terms “field netback”, “funds flow from operations excluding one-time disposition costs and debt prepayment expenses”, “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 one-time disposition costs and debt prepayment expenses"** is calculated by adding back both costs associated with the disposition and the cash portion of finance expenses relating to the debt prepayment 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 incurred the one-time costs associated with the disposition of the Salt Flat properties.

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".

No Change in Internal Controls over Financial Reporting during the Period January 1, 2018 to March 31, 2018

During the period beginning on January 1, 2018 and ended on March 31, 2018, there was no change in Eagle's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, Eagle's internal controls over financial reporting. It should be noted, that Eagle's control system, no matter how well designed, can provide only reasonable, but not absolute assurance of detecting, preventing and deterring errors or fraud.

Critical Accounting Estimates and Judgments

There have been no changes made to Eagle's critical accounting estimates and judgments for the first quarter of 2018. Further information about Eagle's critical accounting estimates and judgments can be found in the notes to Eagle's annual audited consolidated financial statements and MD&A for the year ended December 31, 2017.

Accounting Standards and Interpretations

Other than the items below which were adopted effective January 1, 2018, the accounting policies followed in these Interim Financial Statements are consistent with those of the previous financial year, except for income tax expense for an interim period (which is based on an estimated average annual effective income tax rate).

IFRS 9 - Financial Instruments

On January 1, 2018, Eagle adopted IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. The application of IFRS 9 did not have a material impact on the Company's condensed consolidated interim financial statements.

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss: financial instruments under this classification include cash and derivative assets and liabilities.

- Amortized cost: financial instruments under this classification include trade and other receivables, trade and other payables and long-term debt.

IFRS 15 - Revenue from Contracts with Customers

On January 1, 2018, Eagle adopted IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue from contracts with customers is recognized. Eagle's revenue relates to the sale of petroleum and natural gas to customers at specified delivery points at benchmark prices.

Eagle adopted IFRS 15 using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15.

The adoption of IFRS 15 did not materially impact the timing or measurement of revenue, however IFRS 15 requires additional disclosure relating to the disaggregation of revenue. Additional disclosure has been included in the March 31, 2018 Interim Financial Statements, see Note 5 – Segmented Information.

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 hedging program;
- 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 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 its drilling program;
- 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.

Condensed Consolidated Interim Financial Statements

(in Canadian dollars) (unaudited)

For the three months ended March 31, 2018 and March 31, 2017

Eagle Energy Inc.

Condensed Consolidated Interim Balance Sheets

(Thousands of Canadian dollars) (unaudited)

	Note	**March 31, 2018**	December 31,2017
ASSETS			
Current assets			
Cash		8,212	4,040
Trade and other receivables		5,808	8,988
Deposits and prepaid expenses		921	841
		14,941	**13,869**
Non-current assets			
Oil and gas properties	11	159,864	193,373
Property, plant and equipment		72	72
		159,936	**193,445**
Total Assets		**174,877**	**207,314**
LIABILITIES			
Current liabilities			
Trade and other payables		6,684	13,108
Risk management liability	4	844	607
		7,528	13,715
Non-current liabilities			
Debt	13	45,818	68,078
Decommissioning liability	14	25,052	26,234
		70,870	**94,312**
Total Liabilities		**78,398**	**108,027**
SHAREHOLDERS' EQUITY			
Share capital	15	320,754	320,515
Currency reserves	7	34,282	34,608
Contributed surplus	6	482	635
Deficit		(259,039)	(256,471)
Total Shareholders' Equity		**96,479**	**99,287**
Total Liabilities and Shareholders' Equity		**174,877**	**207,314**

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

Eagle Energy Inc.

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

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

	Note	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Revenue		15,534	18,222
Royalties		(3,073)	(4,004)
		12,461	**14,218**
Operating expenses		4,550	6,698
Transportation and marketing expenses		559	467
Administrative expenses		1,809	2,387
Costs associated with the disposition	12	1,087	-
Depreciation, depletion and amortization	9	3,220	4,946
Impairment recovery	9	(1,475)	-
Operating earnings (loss)		**2,711**	**(280)**
Share-based compensation expense	6	85	176
Finance expense	8	1,939	1,432
Finance expense related to debt prepayment	8	3,113	-
Risk management loss (gain)	4	829	(3,971)
Foreign exchange (gain) loss, net	7	(687)	780
(Loss) earnings before taxes		**(2,568)**	**1,303**
Income tax expense (recovery)		-	-
(Loss) earnings		**(2,568)**	**1,303**
Items that may be subsequently classified to earnings			
Foreign currency translation loss		(326)	(166)
Comprehensive (loss) earnings		**(2,894)**	**1,137**
(Loss) earnings per share	10		
Basic and diluted		**(0.06)**	**0.03**

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

Eagle Energy Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Thousands of Canadian dollars) (unaudited)

	Note	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Share Capital	15		
Balance, beginning of period		320,515	320,012
Issuance of share capital		239	239
Balance, end of period		**320,754**	**320,251**
Currency Reserves			
Balance, beginning of period		34,608	35,372
Foreign currency translation loss		(326)	(166)
Balance, end of period		**34,282**	**35,206**
Contributed Surplus			
Balance, beginning of period		635	552
Share-based payments	6	(153)	(72)
Balance, end of period		**482**	**480**
Deficit			
Balance, beginning of period		(256,471)	(238,697)
(Loss) earnings		(2,568)	1,303
Dividends		-	(425)
Balance, end of period		**(259,039)**	**(237,819)**

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

Eagle Energy Inc.

Condensed Consolidated Interim Cash Flow Statements

(Thousands of Canadian dollars) (unaudited)

	Note	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Cash flows from operating activities			
(Loss) earnings		(2,568)	1,303
Adjustments for non-cash items:			
Depreciation, depletion and amortization	9	3,220	4,946
Impairment recovery	9	(1,475)	-
Share-based compensation – non-cash portion	6	85	167
Unrealized risk management loss (gain)	4	216	(5,900)
Unrealized foreign exchange loss	7	954	780
Finance expense	8	1,286	295
Amortization of leasehold inducement		-	(2)
Funds flow from operations		**1,718**	**1,589**
Changes in working capital:			
Trade and other receivables		3,234	2,325
Prepaid expenses		(64)	510
Trade and other payables		(3,542)	2,684
		(372)	5,519
Net cash (used in) generated by operating activities		**1,346**	**7,108**
Cash flows from investing activities			
Oil and gas properties		(2,275)	(11,818)
Property, plant and equipment		(2)	(4)
Disposition of oil and gas assets		34,400	-
Change in non-cash working capital		(3,005)	1,508
Net cash generated by (used in) investing activities		**29,118**	**(10,314)**
Cash flows from financing activities			
Repayment of current debt		-	(61,082)
(Repayment of) proceeds from long term debt		(26,284)	82,221
Cash dividends to shareholders		-	(425)
Deferred financing charges		(45)	(4,870)
Change in non-cash working capital		-	(212)
Net cash (used in) generated by financing activities		**(26,329)**	**15,632**
Net increase in cash and cash equivalents		4,135	12,426
Effects of exchange rates on cash and cash equivalents		37	(1,488)
Cash at beginning of the period		4,040	-
Cash at end of the period		**8,212**	**10,938**

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

Eagle Energy Inc.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For the three months ended March 31, 2018 and March 31, 2017

(in Canadian dollars)

1. Reporting Entity / Structure of Eagle Energy Inc.

Eagle Energy Inc. ("**Eagle**"), is incorporated under the laws of Alberta with common shares that are widely held and listed on the Toronto Stock Exchange with its common shares trading under the symbol "EGL". Eagle is engaged in the acquisition, exploration and production of petroleum and natural gas reserves in Alberta, Canada and Texas, United States.

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

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

2.1. Basis of Preparation

The foreign exchange rate at March 31, 2018 was $US 1.00 equal to $CA 1.29 (December 31, 2017 - $US 1.00 equal to $CA 1.25), and the average foreign exchange rate for the three months ended March 31, 2018 was $US 1.00 equal to $CA 1.26 (for the three months ended March 31, 2017 - $US 1.00 equal to $CA 1.32).

Basis of Accounting

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors made on May 10, 2018.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") applicable to the preparation of interim financial statements, including IAS 34, interim Financial Reporting. Other than the items in Note 2.2 "Changes in Accounting Policy and Disclosures", these financial statements have been prepared following the same accounting policies as the annual audited IFRS consolidated financial statements for the year ended December 31, 2017, except for income tax expense for an interim period (which is based on an estimated average annual effective income tax rate).

The condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

2.2. Changes in Accounting Policy and Disclosures

IFRS 9 - Financial Instruments

On January 1, 2018, Eagle adopted IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. The application of IFRS 9 did not have a material impact on the Company's condensed consolidated interim financial statements.

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss: financial instruments under this classification include cash and derivative assets and liabilities.

- Amortized cost: financial instruments under this classification include trade and other receivables, trade and other payables, and long-term debt.

IFRS 15 - Revenue from Contracts with Customers

On January 1, 2018, Eagle adopted IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue from contracts with customers is recognized. Eagle's revenue relates to the sale of petroleum and natural gas to customers at specified delivery points at benchmark prices.

Eagle adopted IFRS 15 using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15.

The adoption of IFRS 15 did not materially impact the timing or measurement of revenue, however IFRS 15 requires additional disclosure relating to the disaggregation of revenue. Additional disclosure has been included in Financial Statement Note 5 – Segmented Information.

2.3. Accounting Pronouncements not yet Adopted

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces the existing leasing standard (IAS 17 *Leases*) and requires the recognition of most leases on the balance sheet. For lessees, IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases except for short-term leases where the term is twelve months or less and for leases of low value items. For lessors, the accounting treatment remains the same, which provides the choice of classifying a lease as either a finance or operating lease. IFRS 16 is effective January 1, 2019, with earlier application only being permitted for companies that also apply IFRS 15. IFRS 16 will be adopted by the Company on January 1, 2019. The Company is currently reviewing contracts that are identified as leases and is still assessing the impact this standard will have on the Company's consolidated financial statements.

3. Critical Accounting Estimates and Judgments

The critical accounting estimates and judgments followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year. Further information about Eagle's critical accounting estimates and judgments can be found in the notes to Eagle's annual audited consolidated financial statements and MD&A for the year ended December 31, 2017.

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:

- financial assets and financial liabilities;
- credit risk;
- liquidity risk; and
- market risk.

This note presents information about changes in Eagle's exposure to each of the above risks since the year ended December 31, 2017.

Financial Assets and Financial Liabilities

Financial instruments are recognized when Eagle becomes a party to the contractual provisions of the instrument. Fiinancial assets and liabilities are not offset unless Eagle has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

Credit Risk

At December March 31, 2018, the maximum exposure to credit risk was as follows:

$000's	**March 31, 2018**	December 31, 2017
Cash	8,212	4,040
Trade and other receivables	5,808	8,988
	14,020	13,028

Eagle applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. Prior credit losses in the collection of accounts receivable by Eagle have been negligible and the Company does not anticipate any significant future credit losses based on forward looking information. Accordingly, no provision has been recorded for expected credit losses. At March 31, 2018, 55% of Eagle's receivables were with commodity purchasers and are not considered a risk.

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Eagle considers all amounts greater than 90 days to be past due. As at March 31, 2018, there was $0.5 million of receivables greater than 90 days. Subsequent to March 31, 2018, approximately $0.2 million has been collected.

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 February 2018 disposition of the Salt Flat properties ("**Salt Flat**"), the lender finalized its borrowing base redetermination and set the borrowing base at $CA 66.5 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 19, 2019.

At March 31, 2018, the Company had a working capital surplus, excluding the non-cash risk management liability, of $8.3 million, with $49.7 million (the approximate March 31, 2018 Canadian dollar equivalent of $US 38.5 million) drawn under the Loan Agreement.

Draws under the Loan Agreement are subject to quarterly covenant calculations which are directly impacted by commodity prices, foreign exchange rate fluctuations, production levels and drilling results. The amount available under the Loan Agreement is subject to semi-annual borrowing base determinations which are directly impacted by the future value of the oil and natural gas reserves. See Financial Statement Note 13 - Debt.

The following were the contractual undiscounted maturities of financial liabilities, including estimated interest payments, as applicable, at March 31, 2018:

$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	6,684	6,684	6,684	-	-	-
Risk management liability	844	844	844	-	-	-
Debt	49,688	49,688	-	49,688	-	-
Interest	-	16,666	5,551	11,115	-	-
	57,216	**73,882**	**13,079**	**60,803**	**-**	**-**

The following are 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**	**-**

Market Risk

Commodity Price Risk - Summary of Unrealized Risk Management Positions

As at March 31, 2018, 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	Apr-18	Jun-18	57.50	57.50	(844)	-
Commodity - unrealized risk management liability							**(844)**	**-**

Notes:

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

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).

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

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
$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	**613**	**216**	**829**	1,929	(5,900)	(3,971)

Foreign Exchange Risk

At March 31, 2018 there was no material change in foreign exchange risk compared to the December 31, 2017 year-end.

5. Segmented Information

Eagle's reportable segments are determined based on Eagle's operations and geographic locations and by sales product type 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 three months ended March 31, 2018 are as follows:

	Three Months Ended March 31, 2018			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures	**142**	**2,133**	**2**	**2,277**
Crude oil sales	6,927	7,345	-	14,272
Natural gas sales	461	127	-	588
NGL sales	393	175	-	568
Other income	41	65	-	106
Revenue	7,822	7,712	-	15,534
Royalties	(1,176)	(1,897)	-	(3,073)
	6,646	5,815	-	12,461
Operating expenses	(2,945)	(1,605)	-	(4,550)
Transportation and marketing expenses	(442)	(117)	-	(559)
Administrative expenses - cash portion	-	-	(2,896)	(2,896)
Risk management loss - realized	-	-	(613)	(613)
Finance expense - cash portion	-	-	(3,766)	(3,766)
Foreign exchange gain - realized	-	-	1,641	1,641
Funds flow from operations	**3,259**	**4,093**	**(5,634)**	**1,718**

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

	Three Months Ended March 31, 2018			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Funds flow from operations	**3,259**	**4,093**	**(5,634)**	**1,718**
Share-based compensation - non-cash portion	-	-	(85)	(85)
Risk management loss - unrealized	-	-	(216)	(216)
Depreciation, depletion and amortization	(1,494)	(1,726)	-	(3,220)
Impairment recovery	-	1,475	-	1,475
Foreign exchange loss - unrealized	-	-	(954)	(954)
Finance expense - non-cash portion	-	-	(1,286)	(1,286)
(Loss) earnings	**1,765**	**3,842**	**(8,175)**	**(2,568)**

Details of Eagle's reportable segments for the three months ended March 31, 2017 are as follows:

	Three Months Ended March 31, 2017			
$000's	**Canada**	**United States**	**Corporate**	**Total**
Capital expenditures	**6,476**	**5,336**	**4**	**11,816**
Crude oil sales	6,590	10,266	-	16,856
Natural gas sales	650	67	-	717
NGL sales	338	65	-	403
Other income	64	182	-	246
Revenue	7,642	10,580	-	18,222
Royalties	(1,119)	(2,885)	-	(4,004)
	6,523	7,695	-	14,218
Operating expenses	(3,040)	(3,658)	-	(6,698)
Transportation and marketing expenses	(435)	(32)	-	(467)
Administrative expenses - cash portion	-	-	(2,387)	(2,387)
Cash settled award payments	-	-	(9)	(9)
Risk management loss - realized	-	-	(1,929)	(1,929)
Finance expense - cash portion	-	-	(1,137)	(1,137)
Amortization of leasehold inducement	-	-	(2)	(2)
Funds flow from operations	**3,048**	**4,005**	**(5,464)**	**1,589**

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

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

Total assets of Eagle's reportable segments at March 31, 2018 were as follows:

$000's	Three Months Ended March 31, 2018			
	Canada	United States	Corporate	Total
Total Assets	111,970	62,907	-	174,877

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

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

6. Share-based Payments

The Company has a long-term equity compensation incentive plan (the "**Equity Incentive Plan**") under which Restricted Share Units ("**RSUs**") and Performance Share Units ("**PSUs**") have been awarded.

Eagle also has outstanding Restricted Unit Rights ("**RURs**") that were issued in 2010 under RUR Agreements.

The following table reconciles share-based compensation expense:

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
RSUs and PSUs	85	167
RURs	-	9
Total share-based compensation expense	**85**	176

The following table shows the continuity of contributed surplus:

$000's	**March 31, 2018**	December 31, 2017
Balance, beginning of period	635	552
Share-based compensation	85	586
RSUs and PSUs vested and settled	(238)	(503)
Balance, end of period	**482**	635

Equity Incentive Plan

As of March 31, 2018, there were 1,707,209 RSUs and 630,482 PSUs outstanding.

As at March 31, 2018, the estimated weighted average fair value for RSUs at their measurement dates (their grant dates) is $0.52 per RSU outstanding. During the quarter, 318,851 RSUs vested and were settled through the issuance of 318,851 common shares from treasury.

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

	Three Months Ended March 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2017
Balance, beginning of period	1,635,668	1,836,579	1,836,579
Issued	505,381	539,690	256,220
Vested/Settled	(318,851)	(609,116)	(287,682)
Dividend equivalent rights	-	44,066	44,066
Forfeited	(114,989)	(175,551)	(3)
Balance, end of period	1,707,209	1,635,668	1,849,180

At March 31, 2018, the estimated weighted average fair value for PSUs at their measurement date (March 31, 2018) is $0.36 per PSU outstanding. During the quarter, 129,652 PSUs vested, the Board set the associated multiplier at one, and the vested PSUs were settled through the issuance of 129,652 common shares from treasury.

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

	Three Months Ended March 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2017
Balance, beginning of period	607,956	721,031	721,031
Issued	162,293	206,998	104,958
Vested/Settled	(129,652)	(241,247)	(117,846)
Dividend equivalent rights	-	17,300	17,300
Forfeited	(10,115)	(96,126)	(2)
Balance, end of period	630,482	607,956	725,441

Cash settled RURs

For the three months ended March 31, 2018, $Nil has been paid to the RUR holders (year-ended December 31, 2017 - $9,483, three months ended March 31, 2017 – $9,483).

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

	Three Months Ended March 31, 2018	Year Ended December 31, 2017	Three Months Ended March 31, 2017
Balance, beginning of period	632,500	632,500	632,500
Issued	-	-	-
Forfeited	-	-	-
Balance, end of period	632,500	632,500	632,500

The March 31, 2018 fair value of the RURs was estimated using the Black-Scholes valuation model and using the same inputs as December 31, 2017 (other than a 5-day volume weighted average share price assumption of $0.36 per share as compared to $0.34 per share at December 31, 2017). Based on these assumptions, the fair value at the March 31, 2018 balance sheet was $Nil per RUR (December 31, 2017 - $Nil per RUR, March 31, 2017 – $Nil per RUR).

7. Foreign Exchange

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

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Net gain arising on settlement of foreign currency transactions arising out of operating activities	(136)	-
Foreign exchange gain on repayment of U.S. denominated debt	(1,505)	-
Realized gain on foreign exchange	**(1,641)**	-
Foreign exchange loss on U.S. denominated debt	2,791	-
Foreign exchange (gain) loss on Canadian denominated intercompany loan	(1,878)	780
Foreign exchange loss on U.S. denominated risk management liability	41	-
Unrealized loss on foreign exchange	**954**	780
Foreign exchange (gain) loss, net	**(687)**	780

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 March 31, 2018**	As at December 31, 2017
Beginning balance	34,608	35,372
Foreign currency translation loss	(326)	(764)
Ending balance	**34,282**	34,608

8. Finance Expense

$000's	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
Interest	1,420	1,100
Standby and bank fees	4	37
Accretion of decommissioning provision	127	120
Amortization of deferred financing charges	388	175
Interest related to prepayment of debt	2,342	-
Amortization of deferred financing charges related to prepayment of debt	771	-
Finance expense	**5,052**	1,432

9. Depreciation, Depletion and Impairment

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

	Three Months Ended March 31, 2018		
$000's	Oil and gas properties	Property, plant and equipment	Total
Depreciation, depletion and amortization	3,215	5	3,220
Impairment recovery	(1,475)	-	(1,475)
	1,740	**5**	**1,745**

	Three Months Ended March 31, 2017		
$000's	Oil and gas properties	Property, plant and equipment	Total
Depreciation, depletion and amortization	4,929	17	4,946
Impairment recovery	-	-	-
	4,929	**17**	**4,946**

Impairment of Oil and Gas Properties

For the three months ended March 31, 2018, Eagle recognized a $1.5 million impairment recovery related to the disposition of Salt Flat for which an impairment of $12.4 million was recognized as at December 31, 2017. See Financial Statement Note 12 – Asset Disposition.

10. (Loss) Earnings per Share

000's except for per share amount	**Three Months Ended March 31, 2018**	Three Months Ended March 31, 2017
(Loss) earnings attributable to shareholders	$ (2,568)	$ 1,303
Weighted average number of shares outstanding – basic and diluted	43,316	42,483
(Loss) earnings per share - basic and diluted	**(0.06)**	**0.03**

11. Oil and Gas Properties

$000's	
Cost:	
Balance at December 31, 2016	484,347
Additions	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
Additions	2,274
Disposition (see Financial Statement Note 12 – Asset Disposition)	(34,400)
Decommissioning obligation additions and change in estimates	108
Effects of foreign exchange	8,114
Balance at March 31, 2018	**463,298**
Depletion, depreciation and impairment:	
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)
Depletion and depreciation	(3,214)
Effects of foreign exchange	(6,391)
Balance at March 31, 2018	**(303,434)**
Net book value:	
At December 31, 2017	193,373
At March 31, 2018	**159,864**

Eagle does not capitalize general and administrative costs. Future development costs related to proved plus probable reserves of $96.1 million (December 31, 2017 - $96.1 million) were included in the depletion calculation.

12. Asset Disposition

On February 8, 2018, Eagle sold its oil and gas interests in Salt Flat, located in Caldwell County, Texas for approximately $34.4 million cash, subject to customary post-closing adjustments.

Net assets disposed ($000s)	
Oil and gas assets - purchase price	33,980
Closing adjustments	410
Net asset value of disposed assets	34,390
Cash	34,390
Consideration received	34,390

Related transaction costs of approximately $1.1 million were expensed in the first quarter of 2018.

13. 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.

Effective March 15, 2018, and after giving effect to the Salt Flat disposition(see Financial Statement Note 12 – Asset Disposition), the lender finalized its borrowing base redetermination and set the borrowing base at $CA 66.5 million (the approximate Canadian dollar equivalent of $US 51.6 million).

At March 31, 2018, Eagle had $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 19, 2019.

The details of Eagle's outstanding debt (translated into the approximate Canadian dollar equivalent) were as follows:

$000's	**March 31, 2018**	December 31, 2017
Amount drawn	49,688	73,035
Less deferred financing charges	(3,870)	(4,957)
Debt	**45,818**	68,078

At March 31, 2018 and December 31, 2017 there were no covenant violations. Draws under the Loan Agreement are subject to quarterly covenant calculations which are directly impacted by commodity prices, foreign exchange rate fluctuations, production levels and drilling results. The amount available under the Loan Agreement is subject to semi-annual borrowing base determinations which are directly impacted by the future 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 May 10, 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. 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.

(a) Consolidated Leverage Ratio

As at the end of each fiscal quarter, Eagle is to maintain a Consolidated Leverage Ratio of not greater than 3.50 to 1.00 for each quarter ending on or after March 31, 2018.

As at March 31, 2018, the Consolidated Leverage Ratio was 2.15 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.

(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.

As at March 31, 2018, the Consolidated Fixed Charge Ratio was 3.63 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 Salt Flat 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. No test was required or performed at March 31, 2018.

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 March 31, 2018, the Consolidated Current Ratio was 2.24 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 Salt Flat; 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 (that is also a "material disposition") as if such acquisition or disposition occurred at the beginning of such period, provided that the disposition of Salt Flat has been deemed not to constitute a material disposition.

14. Decommissioning Liability

$000's	**Three Months Ended March 31, 2018**	Year Ended December 31, 2017
Beginning balance	26,234	26,202
Additions	13	454
Change in estimate due to disposition (see Financial Statement Note 12 – Asset Disposition)	(1,503)	(45)
Other changes in estimates	95	(582)
Abandonment expenditures	-	(54)
Accretion (unwinding of discount)	127	495
Effects of exchange rate	86	(236)
Ending balance	**25,052**	26,234

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 of 2.09% at March 31, 2018 for the North Texas, Twining and NW Alberta properties (March 31, 2017 - 1.63%), and 2.23% for the Dixonville properties (March 31, 2017 - 2.31%).

15. Share Capital

Eagle has an unlimited number of common shares authorized for issuance. At March 31, 2018, the shares outstanding were as follows:

Shares Outstanding

	Three Months Ended March 31, 2018		Year Ended December 31, 2017	
	Number of shares (000's)	**Amount ($000's)**	Number of shares (000's)	Amount ($000's)
Beginning balance	43,302	320,515	42,451	320,012
Issuance of shares pursuant to the RSUs and PSUs	448	239	851	503
Ending balance	**43,750**	**320,754**	43,302	320,515

On March 28, 2018, 448,503 shares were issued pursuant to the 2016 Equity Incentive Plan. See Financial Statement Note 6 - Share-based Payments.

16. Commitments

Operating Lease Commitment – Head Office Lease in Calgary, Alberta

On January 1, 2013, Eagle entered into a lease for office space in Calgary which originally had an approximate 61 month term from January 8, 2013 to February 7, 2018. In May 2016, the lease was amended to extend the lease term and decrease the annual basic rental charge. The new term began August 1, 2016 and terminates February 28, 2023. Total minimum lease payments during the term of the lease from August 1, 2016 through February 28, 2023 approximate $3.1 million and include a leasehold improvement allowance up to $0.2 million, with 59 months and approximately $2.2 million remaining at March 31, 2018.

Operating Lease Commitment – 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, with payments beginning September 1, 2018. 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 1.29.

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 43 months and approximately $US 0.12 million ($CA 0.16) remaining at March 31, 2018. The remaining future minimum lease payments approximate $CA 0.14 million translated at the exchange rate in effect at the balance sheet date of $US 1.00 equal to $CA 1.29.