Eagle Energy Inc. Announces Second Quarter 2017 Results, Succession Plan and Cost Reduction Initiatives

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CALGARY, Aug. 10, 2017 - Eagle Energy Inc. (TSX:EGL) ("Eagle") is pleased to report its financial and operating results for the second quarter ended June 30, 2017 as well as provide an update on additional cost reduction initiatives.

Richard Clark, Eagle's Chief Executive Officer, stated, "I am pleased with our technical team's progress toward commencing drilling on our North Texas asset. We now own over 24,000 net acres in North Texas. This land position is focused and well-supported by offset production and 3D seismic. As I mentioned previously, this is not a high risk exploratory play; rather, it is a development drilling project with solid well control and production history. It falls completely within Eagle's core competency and successful track record of horizontal well development. Eagle will be the first to exploit this asset with horizontal wells using current completion techniques."

Mr. Clark continued, "This year we closed a refinancing, which gives us sufficient capital and the time to do our work despite volatile commodity prices. Eagle's loan is within the new industry norm for junior oil and gas companies, given the current market. Several of Eagle's peers recently entered into financing transactions with loan terms that are comparable to Eagle's. Some have more stringent terms with higher interest rates and a material equity component, which Eagle's financing does not have. We believe Eagle's assets and financial partnership with our lender provide a solid foundation to execute our drilling plan."

Succession Plan Announced

The following changes will be occurring at Eagle, all effective September 1, 2017:

- Wayne Wisniewski, currently President and Chief Operating Officer, will replace Richard Clark as CEO. Mr. Wisniewski will hold the position of President and CEO.

- Richard Clark, founder of Eagle and CEO since its inception, will be appointed to the position of Executive Chairman of the Board of Directors of Eagle.

- David Fitzpatrick, who has been the Chairman of Eagle since its inception, will be appointed to the position of Lead Independent Director of Eagle.

Mr. David Fitzpatrick, Chairman of Eagle stated, "We are pleased Mr. Wisniewski will assume the role of CEO. He has demonstrated outstanding leadership and performance, transforming Eagle into an operations-focused business, overseeing solid cost control, building a strong technical team and meeting our production forecasts consistently since he became Eagle's Chief Operating Officer in August of 2015. The transition of Mr. Clark to the position of Executive Chairman has been under consideration for some time, and will see him remain involved in setting the strategic direction and providing oversight of Eagle going forward."

Update on Additional Cost Reduction Initiatives - Total Executive Compensation Reduced by 50%

On June 15, 2017, Eagle announced that, in response to significantly weaker current oil prices than originally assumed in its 2017 budget, it would embark on additional comprehensive general and administrative cost reduction initiatives. As a first step, Eagle is implementing material reductions in executive compensation.

Eagle's 2016 aggregate executive compensation (cash and non-cash) was $2.8 million. Effective September 1, 2017, Eagle's aggregate executive compensation (cash and non-cash on an annualized basis) has been reduced by 50%. Specifically, Mr. Clark's total compensation has been reduced by 65%. The directors have also taken a reduction of approximately 40% in their total compensation (cash and non-cash on an annualized basis). Eagle reiterates its commitment to cost reductions going forward.

Eagle's unaudited interim condensed consolidated financial statements for the three and six months ended

June 30, 2017 and related management's discussion and analysis have been filed with the securities regulators and are available online under Eagle's issuer profile on SEDAR at www.sedar.com and on Eagle's website at www.EagleEnergy.com.

This news release contains non-IFRS financial measures and statements that are forward-looking. Investors should read "Non-IFRS Financial Measures" and "Note about Forward-Looking Statements" near the end of this news release. Figures within this news release are presented in Canadian dollars unless otherwise indicated.

Highlights for the Three Months ended June 30, 2017

- Second quarter production of 3,966 barrels of oil equivalent per day ("boe/d"); working interest production up 6% from the first quarter as wells from Eagle's 2017 winter drilling program commence production.

- Second quarter operating, transportation and marketing expenses of $5.9 million; down $1.3 million from first quarter levels as workover and well servicing activity resumed normal levels.

- 10% increase in second quarter per boe field netback from first quarter levels despite a 7% drop in the WTI price.

- Year to date general and administrative charges 18% below the prior year; expecting a 14% drop in full year 2017 general and administrative expenses from 2016 levels.

- Second quarter funds flow from operations of $4.3 million ($0.10 per share); up $2.7 million from first quarter levels.

- During the second quarter, Eagle further expanded its land position in the Hardeman area of North Texas through additional purchases, bringing its total acreage in the area to 24,000 net acres. Lease preparation and construction is underway in advance of the North Texas drilling program, scheduled to commence later this year. Eagle now refers to the Hardeman area as North Texas.

2017 Outlook

This outlook section is intended to provide shareholders with information about Eagle's expectations for capital expenditures, average production and operating costs for 2017. Readers are cautioned that the information may not be appropriate for any other purpose. This information constitutes forward-looking information. Readers should note the assumptions, risks and discussions under "Note about Forward-Looking Statements" at the end of this news release.

Due to continuing soft commodity prices, Eagle has decided to take a conservative approach for the remainder of 2017 and has deferred the drilling of one North Texas well from the fourth quarter of 2017 to early 2018. One North Texas well will be drilled as planned in the second half of 2017. Eagle's 2017 capital budget and average production guidance is therefore revised from what Eagle originally announced on March 13, 2017 and is as follows:

Guidance

	2017 Revised Guidance	2017 Previous Guidance	Notes
Capital Budget	$21.0 mm	$22.8 mm	(1)
Average Production	3,700 to 3,900 boe/d	3,800 to 4,000 boe/d	(2)
Operating Costs per month	$2.1 to $2.3 mm	$2.1 to $2.3 mm	(3)

Notes:
(1) The revised 2017 capital budget of $21.0 million (previously $22.8 million) consists of $US 10.0 million for Eagle's operations in the United States and $7.8 million for Eagle's operations in Canada.

(2) Average 2017 production is revised downward by 100 boe/d to a range of 3,700 to 3,900 boe/d. The production mix consists of 84% oil, 3% natural gas liquids ("NGLs") and 13% natural gas. These numbers include working interest and royalty interest volumes.

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

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

As a result of guidance revisions and updated commodity price and foreign exchange rate assumptions of management, resulting expected funds flow from operations, ending net debt and field netback and related sensitivities are as follows:

	Amount	Notes
Funds Flow from Operations	$10.7 mm	(1)
Ending Net Debt	$69.4 mm	
Field Netback (excluding hedges)	$19.90 / boe	(2)

Notes:
(1) 2017 funds flow from operations is expected to be approximately $10.7 million (previously $15.2 million) based on the following assumptions:
(a) average production of 3,800 boe/d (the mid-point of the revised guidance range);
(b) pricing at $US 50.00 (previously $US 51.75) per barrel WTI oil, $US 3.05 (previously $US 3.37) per Mcf NYMEX gas, $CA 2.22 (previously $CA 2.79) per Mcf AECO and $US 17.48 (previously $US 18.11) per barrel of NGL (NGL price is calculated as 35% of the WTI price);
(c) differential to WTI is $US 3.18 discount per barrel in Salt Flat, $US 3.50 discount per barrel in North Texas, $CA 11.50 discount per barrel in Dixonville and $CA 8.00 discount per barrel in Twining;
(d) average operating costs of $2.2 million per month ($US 0.8 million per month for Eagle's operations in the United States and $1.2 million per month for Eagle's operations in Canada), the mid-point of the guidance range; and
(e) a foreign exchange rate of $US 1.00 equal to $CA 1.24 (previously $CA 1.35).

(2) This figure assumes average operating costs of $2.2 million per month (the mid-point of the guidance range) and a $US 50.00 (previously $US 51.75) WTI price. Field netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures".

2017 Sensitivities

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

Funds Flow from Operations	2017 Average Production (3,800 boe/d)		
Sensitivity to Commodity Price	FX 1.19	FX 1.24	FX 1.29
$US 45.00 WTI	$9.4 mm	$10.0 mm	$10.5mm
$US 50.00 WTI	$10.1 mm	$10.7 mm	$11.3 mm
$US 55.00 WTI	$10.9 mm	$11.5 mm	$12.1 mm

Sensitivity to Production	2017 Average Production (WTI $US 50.00, FX 1.24)		
	3,700	3,800	3,900
Funds Flow from Operations ($CA)	$10.0 mm	$10.7 mm	$11.5 mm

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

(2) Differential to WTI is held constant.

(3) The foreign exchange rate is assumed to be $US 1.00 equal to $CA 1.24, unless otherwise indicated in the table.

Summary of Quarterly Results

Q2/2017 Q1/2017 Q4/2016 Q3/2016 Q2/2016 Q1/2016 Q4/2015 Q3/2015
($000's except for boe/d and per share amounts)
Sales volumes - boe/d 3,966 3,767 3,803 4,085 4,147 3,854 3,783 3,607

Revenue, net of royalties 14,167 14,218 13,891 12,854 13,149 9,099 11,603 13,428
per boe 39.25 41.95 39.72 34.20 34.84 25.94 33.34 40.46

Operating, transportation and marketing expenses 5,885 7,165 6,799 6,564 5,928 6,265 6,356 6,473
per boe 16.31 21.14 19.44 17.46 15.71 17.86 18.26 19.50

Field netback 8,282 7,053 7,092 6,290 7,221 2,834 5,246 6,956
per boe 22.94 20.81 20.28 16.74 19.13 8.08 15.08 20.96

Funds flow from operations 4,272 1,589 3,901 4,582 5,148 2,167 5,147 7,332
per boe 11.84 4.69 11.15 12.19 13.64 6.18 14.79 22.09
per share - basic 0.10 0.04 0.09 0.11 0.12 0.05 0.15 0.21
per share - diluted 0.10 0.04 0.09 0.11 0.12 0.05 0.15 0.21

Earnings (loss) 675 1,303 30,508 52 (9,288) (11,713) (23,198) (51,784)
per share - basic 0.02 0.03 0.72 0.00 (0.23) (0.29) (0.67) (1.48)
per share - diluted 0.02 0.03 0.72 0.00 (0.23) (0.29) (0.67) (1.48)

Cash dividends declared - 425 637 636 1,274 1,584 2,614 3,143
per issued share 0.00 0.01 0.015 0.015 0.03 0.04 0.07 0.09

Current assets 11,847 18,819 9,302 9,787 10,618 12,829 19,767 21,862
Current liabilities 6,599 11,474 74,758 72,387 75,035 5,472 9,397 8,033
Total assets 222,155 233,951 218,199 190,945 195,044 199,708 208,572 228,959
Total non-current liabilities 97,086 104,359 26,202 31,690 32,397 96,317 92,616 91,316
Shareholders' equity 118,470 118,118 117,239 86,868 87,612 97,919 106,559 129,611
Shares issued 42,857 42,857 42,452 42,452 42,452 42,452 34,863 34,893

For the three months ended June 30, 2017, sales volumes increased 5% from the first quarter as additional production from Eagle's 2017 first quarter drilling program was offset slightly by normal production declines.

Field netback increased 17% from the first quarter due to an 18% reduction in operating, transportation and marketing expenses. This was due to increased workover and well servicing activity in the first quarter returning to lower levels in the second quarter.

Funds flow from operations increased 169% from the first quarter of 2017. This was due to higher field netbacks and realized risk management gains being only partially offset by higher finance, annual general meeting and proxy solicitation related costs. Although funds flow from operations in the second quarter increased by 169%, net income in the second quarter decreased by 48%. The reason net income decreased quarter over quarter rather than increased commensurate with funds flow from operations is that unrealized hedging gains were lower in the second quarter.

The fluctuations in Eagle's revenue and field netback from quarter to quarter are primarily due to changes in production volumes, commodity prices and the related impact on royalties. Increases in production since the third quarter of 2015 are the result of internal drilling programs, an acquisition late in the third quarter of 2015 and one in the first quarter of 2016, all being partially offset by natural production declines. Production increased in the second quarter 2017 due to the results of the drilling program in the first quarter of 2017.

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

Earnings (loss) on a quarterly basis often do not move directionally or by the same amounts as funds flow from operations. This is due to items of a non-cash nature that factor into the calculation of earnings (loss), and those that are required to be fair valued at each quarter end. First quarter 2017 funds flow from operations was 59% less than the fourth quarter of 2016, yet the first quarter net income was 96% less than the fourth quarter of 2016 primarily due to a non-cash impairment recovery of oil and gas properties that was taken in the fourth quarter of 2016. In the fourth quarter of 2016, Eagle recognized an impairment recovery, net of impairment charges, of approximately $34 million.

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

Advisories

Non-IFRS Financial Measures

Statements throughout this news release make reference to the terms "field netback", which is a non-IFRS financial measure that does 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.

Note about Forward-Looking Statements

Certain of the statements made and information contained in this news release 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 news release.

In particular, and without limitation, this news release contains forward-looking statements pertaining to the following:

Eagle's succession plan, executive compensation and cost reduction initiatives;
Eagle's 2017 capital budget, specific uses, timing of commencement of drilling, drilling results and relationship to 2017 expected funds flow from operations;
Eagle's expectations regarding its 2017 full year average production, monthly operating costs, ending net debt and field netbacks (excluding hedges);
Eagle's expectations regarding its 2017 funds flow from operations and sensitivity of this metric to changes in commodity prices, production and foreign exchange rates;
Eagle's expectation that 2017 general and administrative expenses will be approximately 14% below 2016 levels; and
anticipated crude oil, NGLs and natural gas production weighting.

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

future crude oil, NGL and natural gas prices, differentials and weighting;
future foreign exchange rates;
future production levels;
future capital expenditures and the ability of Eagle to obtain financing on acceptable terms for its capital projects, operations and future acquisitions;
Eagle's 2017 capital budget, which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations;
not including capital required to pursue future acquisitions in the forecasted capital expenditures;
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 Eagle's Annual Information Form ("AIF") dated March 16, 2017.

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 2017 may differ materially from any projections of future performance or results expressed or implied by these forward‐looking statements. Eagle's production rates, operating costs, field netbacks, drilling program, 2017 capital budget, funds flow from operations, ending net debt and reserves are subject to change in light of ongoing results, prevailing economic circumstances, obtaining regulatory approvals, commodity prices, exchange rates, financing terms, and industry conditions and regulations. New factors emerge from time to time, and it is not possible for management to predict all of these factors or to assess, in advance, the impact of each such factor on Eagle's business, or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. Although management believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date the forward-looking statements were made, there can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Eagle and its shareholders. These statements speak only as of the date of this news release 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 news release 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.

About Eagle Energy Inc.

Eagle is an oil and gas corporation with shares listed for trading on the Toronto Stock Exchange under the symbol "EGL".

All material information about Eagle may be found on its website at www.EagleEnergy.com or under Eagle's issuer profile at www.sedar.com.

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