

# NEWS RELEASE



**FOR IMMEDIATE RELEASE:**

## **Eagle Energy Trust Announces Sale of Permian Properties for \$US 140 million**

**Calgary, Alberta:** August 13, 2014 (TSX: EGL.UN): Eagle Energy Trust (the “Trust” or “Eagle”) is pleased to announce that its US operating subsidiary has entered into a binding agreement to sell its entire working interest in its oil and natural gas properties in the Permian Basin, located near Midland, Texas, to an undisclosed buyer for cash consideration of \$US 140 million before closing adjustments (the “Disposition”). The Disposition is expected to close on August 29, 2014, with an effective date of July 1, 2014. Eagle will receive a deposit representing approximately 5% of the disposition price.

“We are pleased with the results of our process to monetize the Permian Basin asset.” said Mr. Richard Clark, President and Chief Executive Officer of Eagle. “Since our acquisition of this asset, the Permian Basin has developed into a major play in the United States. However, the capital required to execute this play has also risen substantially, making it unsuitable for development within acceptable leverage parameters for the Trust. We explored multiple financing options and undertook a robust private process to monetize the asset. As a result, we were able to capitalize on its value and realize substantial liquidity for the Trust. This will allow Eagle to re-deploy capital on other assets expeditiously with a view to significantly improve Eagle’s sustainability and lower our payout ratio.

Since Eagle acquired this property in mid-2012, the assets have generated cashflow of \$US 28 million. From a field netback standpoint, the disposition of the Permian assets means Eagle’s go-forward corporate product mix moves from about 82% oil to virtually 100% oil, which is expected to significantly increase the Trust’s average netback per barrel of oil equivalent. In addition, the \$US 140 million sale proceeds (before transaction costs and closing adjustments) exceeds the proved plus probable reserve value (discounted at 10%) of the Permian Basin properties in the externally evaluated December 31, 2013 reserves report by \$US 42.7 million. Based on the Trust units currently outstanding, this excess equates approximately to \$CA 1.34 per unit above Eagle’s previously stated reserve value.”

Mr. Clark continued, “We believe this transaction allows Eagle to reset its business model with assets more suitable for a traditional energy trust. We anticipated that an opportunity would arise to optimize these assets and have been working diligently on opportunities to redeploy the sale proceeds into long life, low decline assets. We are continuing to target assets which require less capital to sustain production and therefore improve the sustainability of our distribution. Eagle believes there are sufficient opportunities to acquire such assets, and we intend to move quickly with a target to redeploy the proceeds from the Disposition over the next three months. On a per asset basis, the Permian represented our highest payout ratio asset, leaving the least cash behind to support distributions. This step clearly moves us toward our goal of achieving 100% sustainability in the near term.”

Eagle’s working interest production as of July 1<sup>st</sup> 2014, excluding the Permian Basin assets, was approximately 1,940 barrels of oil per day. Upon closing, the Trust intends to use the net proceeds to fully retire its outstanding advances under its existing credit facility, expects to have approximately \$US 50 million of cash remaining (before transaction costs and closing adjustments) and an estimated \$US 55 million of undrawn credit on its remaining assets.

Effective September 1, 2014, Eagle intends to terminate the premium (“Premium Distribution<sup>TM</sup>” or “Premium DRIP”) component of its Distribution Reinvestment Plan, but will maintain the regular component of its Distribution Reinvestment Plan. The Premium DRIP comprises more than 90% of total Distribution Reinvestment Plan participation. Eagle also intends to reduce the market discount that units can be acquired for under its regular Distribution Reinvestment Plan from 5% to 2%. Management estimates that participation will be less than 15% of

total distributions paid, down from over 60% participation currently under the combined regular DRIP and Premium Distribution™ DRIP. Mr. Clark stated, “We made a commitment earlier this year to eliminate the Premium DRIP as soon as possible. We are pleased to deliver on this commitment and reduce the vast majority of monthly trust unit issuances as a result.”

Eagle has withdrawn its current guidance and expects to provide revised guidance after an announcement is made regarding its re-deployment of the sale proceeds.

Eagle is also pleased to announce that it has set its distribution at \$0.0875 per unit per month for August, September and October 2014. “Our normal practice is to declare our distribution on a monthly basis, but we believe it is important for our unitholders to have an additional level of certainty surrounding our distribution while we move to replace the cashflow from the Permian assets,” said Mr. Clark.

Mr. Clark concluded, “This transaction signals a new era at Eagle. I am excited about our opportunities to move forward, to distinguish ourselves as a more sustainable business than in the past. We will continue to pursue growth through accretive acquisitions of assets which can be sustained from future cash flow, while also supporting our distribution.”

Evercore Group L.L.C., an independent investment banking advisory firm and affiliate of Evercore Partners, acted as exclusive financial advisor to Eagle with respect to the transaction.

## Note Regarding 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.

Forward-looking statements include those pertaining to the following: the Disposition, including the amount of the sale proceeds and closing date; the intended use of the sale proceeds from the Disposition including, but not limited to, the repayment in full of Eagle’s outstanding advances under its existing credit facility; the estimated amount of cash that will remain (before transaction costs) and the estimated amount that will be available on the borrowing base on its remaining assets after the Disposition is completed; Eagle’s intentions, after the Disposition is completed, regarding its Premium Distribution™ and Distribution Reinvestment Plan and the level of participation in the Plan; Eagle’s intentions regarding its distributions per unit in August, September and October 2014; the expected change after the Disposition is completed in Eagle’s go-forward corporate product mix from about 82% oil to almost 100% oil, which is expected to increase its average netback per barrel of oil equivalent; the timing of when Eagle expects to provide revised guidance; and Eagle’s expectations regarding the redeployment of the net proceeds from the Disposition, including for the acquisition of other assets that are expected to significantly improve Eagle’s sustainability.

With respect to forward-looking statements contained in this news release, assumptions have been made regarding, among other things: that the Disposition will be completed on the date and for the amount of sale proceeds set out above; future oil, natural gas liquid and natural gas prices and weighting; future currency exchange rates; future recoverability of reserves; future distribution levels; future capital expenditures and the ability of the Trust to obtain financing on acceptable terms for its capital projects and future acquisitions; the Trust’s 2014 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; estimates of anticipated future production, which is 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; projected operating costs, which are based on historical information and anticipated increases in the cost of equipment and services; the level of unitholder participation in Eagle’s Premium Distribution™ and Distribution Reinvestment Plan; and the regulatory framework governing taxes in the US and Canada and the Trust’s status as a “mutual fund trust” and not a “SIFT trust”.

Unlike fixed income securities, Eagle has no obligation to distribute any fixed amount and reductions in, or suspension of, cash distributions may occur that would reduce future yield. The Trust’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the following risk factors: the Disposition is not completed; the volatility of oil, natural gas liquid, and natural gas prices; commodity supply and

demand; fluctuations in currency and interest rates; inherent risks and changes in costs associated in the development of petroleum properties; ultimate recoverability of reserves; timing, results and costs of drilling and production activities; availability of financing and capital; and new regulations and legislation that apply to the Trust and the operations of its subsidiaries. Additional risks and uncertainties affecting the Trust are contained in the Trust's Annual Information Form dated March 20, 2014 under the heading "Risk Factors".

As a result of these risks, actual performance and financial results in 2014 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, drilling program, capital budget, funds flow from operations, debt, Premium Distribution™ and Distribution Reinvestment Plan, payout and sustainability ratios, and distributions are subject to change in light of ongoing results, prevailing economic circumstances, obtaining regulatory approvals, commodity prices and industry conditions and regulations. New factors emerge from time to time, and it is not possible for management to predict all of these factors or to assess, in advance, the impact of each such factor on the Trust'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 the Trust and its unitholders. The Trust 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.

## About Eagle Energy Trust

Eagle is an oil and gas energy trust created to provide investors with a publicly traded, oil and natural gas focused, reliable distribution paying investment, with favourable tax treatment relative to taxable Canadian corporations.

Eagle's units are traded on the Toronto Stock Exchange under the symbol EGL.UN.

All material information about Eagle may be found on its website at [www.eagleenergytrust.com](http://www.eagleenergytrust.com) or under Eagle's issuer profile at [www.sedar.com](http://www.sedar.com).

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