



**Eaglewood Energy Inc.
ANNUAL REPORT
For the year ended December 31, 2010**

PRESIDENT'S MESSAGE

The year 2010 was a very active year for the Company and we saw huge volatility in the share price, as is the nature of active, early stage exploration companies. We participated in our first exploration well, the Oilsearch operated Korka-1 well on our PPL 260 license in the highlands, and prepared to drill our first operated well, Ubuntu-1, on our PPL 259 license in the forelands, which was drilled in the first quarter of 2011.

Although encountering excellent reservoir sand and registering elevated gas readings while drilling through the target zone, unfortunately Korka was water wet and abandoned as dry hole in June, 2010.

In order to ensure we met our PPL 259 license commitment, in April we proceeded to award contracts for a drilling rig and helicopter which would be required to drill our first PPL 259 well, Ubuntu-1, keeping the license in good standing. In November of 2010 we successfully farmed out 50% of the Ubuntu prospect of PPL 259 (representing approximately 3 percent of the license and approximately 6 percent of the license after relinquishment), however Eaglewood still retains a 90% interest in the remainder of the license.

The Ubuntu-1 well successfully drilled to the target reservoirs and resulted in a hydrocarbon discovery. During the operations phase, various delays were experienced and those resulted in cost over-runs. In particular the mobilisation of the drilling rig was burdened with weather and barge scheduling issues related to the late delivery of the rig from the previous well and customs clearance delays and there were a number of teething problems with the rig which had to be overcome. The significant cost over-run and lack of a farmout partner for our second planned well in PPL 259 meant we could only drill one well prior to de-mobilising the rig away from the license area. This further increased total costs of the Ubuntu well as the mobilisation and de-mobilisation costs were not amortised over the multiple well program originally anticipated. However, unlike Korka, Ubuntu-1 was a discovery encountering hydrocarbons in one of the three zones targeted and the well was suspended in February 2011 as a potential future producer.

The Ubuntu discovery and the successful appraisal of the Stanley discovery on PRL-4 significantly de-risked our PPL 259 prospect inventory. The remainder of 2011 will be focused on further de-risking and enhancing the value of PPL 259 license. We plan to acquire additional seismic over the Ubuntu discovery and mature some of our other prospects into drilling locations. We are also considering ways to upgrade the road through the license which would provide cheaper and easier access to many of our prospects. Additionally, we will be working toward a unitization agreement with the Operator of PRL 4, as we believe part of the Stanley pool in PRL 4 is in our PPL 259 license.

As our PPL 260 and 259 original license tenures are due to expire in 2011, we will be relinquishing half our acreage and applying for five year extensions on the remaining acreage, which is typically granted on licenses in good standing. Sufficient work has been done on both licenses to put them in good standing and to allow us to retain the most prospective parts of the licenses. We continue to wait for our PPL 257 and 258 license extensions which were submitted over a year ago and though we expect the extension is forthcoming, we do not yet have the signed instrument from the Energy Minister.

The past year has been a challenging one, however we are pleased to report a hydrocarbon discovery with the Ubuntu-1 well and we look forward to a successful 2011. I'd like to thank the Directors, employees and most importantly the shareholders for their patience as Eaglewood realizes its potential in 2011.



Brad Hurtubise
President and CEO