EAGLEWOOD ENERGY INC.
ANNUAL REPORT
FOR THE SIX MONTHS ENDED
DECEMBER 31, 2008

PRESIDENT'S MESSAGE

This is my first message as the new President and CEO of Eaglewood Energy Inc. ("Eaglewood" or "the Company"), and as Eaglewood changed its fiscal year end from June 30 to December 31, I'll only be discussing the six month period since the June 30, 2008 year end and some of our go-forward plans.

The second half of 2008 was a difficult time for all companies, and Eaglewood was no exception. However, it was also a very active time for the Company and we made progress on many fronts. The deterioration in the global economy and stock markets along with the collapse of commodity prices resulted in the Company being unable to close the planned equity offering in the fall of 2008 and therefore we have adjusted Eaglewood's business plan. We have moved from an equity financing and partnering strategy to one of farming out interests in the Company's four 100 percent owned licenses on a promoted basis. This allows us to retain a significant interest in the licenses while spreading the risk and dramatically reducing our near-term capital expenditures.

We are busy working on all of the licenses identifying leads, developing prospects and ensuring that we are current on the work commitments. We will conduct an aero-magnetic survey over PPL257 and PPL258 beginning in late April 2009, and are looking into acquiring additional seismic over PPL257. We are in various stages of discussions with a number of parties on PPL259 and still expect to be drilling Eaglewood's first well on PPL259 later this year.

The most significant event since the financial year end, is the announcement of our first farm-out. We are delighted to have structured a deal on PPL260, pending government approval, with the Papua New Guinea ("PNG") subsidiary of Oil Search Limited, the most active oil and gas explorer and producer in PNG. The farm-out will see a seismic program over the three most significant prospects on the license completed and interpreted later this year and, assuming the seismic defines a drillable target, a well drilled on PPL260 in early 2010 leaving Eaglewood with a 30% working interest.

PNG is a challenging environment in which to operate and unavoidable delays in getting equipment and services are a fact of life. The government understands this and appears prepared to accommodate work program delays. With all our licenses in good standing and active discussions ongoing with industry and financial partners, I am confident we have the time and talent to be able to realize the tremendous value in Eaglewood's licenses over the next few years. We are excited about the outlook for oil and gas exploration in PNG which only gets better as the LNG projects led by ExxonMobil and InterOil Corporation progress, and exciting world class discoveries continue to be made in this relatively under-explored country.

As always, we would like to thank our shareholders for their continued support and our employees, consultants and directors for their ongoing commitment and efforts on behalf of the Company. We all look forward to an exciting 2009 and beyond.

Brad Hurtubise
President and CEO

EAGLEWOOD ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Six months ended December 31, 2008 and year ended June 30, 2008
(Amounts expressed in Canadian Dollars unless otherwise indicated)

Management's discussion and analysis ("MD&A") of Eaglewood Energy Inc.'s (the "Company" or "Eaglewood") financial condition and results of operations should be read in conjunction with the audited consolidated financial statements for the six months ended December 31, 2008 and the year ended June 30, 2008 and related notes therein prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is April 21, 2009.

Additional information relating to the Company is available on SEDAR at www.sedar.com and the Company's website at www.eaglewoodenergy.ca .

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following:

- capital expenditure programs;
- development of resources;
- treatment under governmental regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- expenditures to be made by the Company to meet certain work commitments; and
- work plans to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things:

- the Papua New Guinea legislative and regulatory environment;
- the impact of increasing competition;
- unpredictable changes to the market prices for oil and natural gas;
- that costs related to development of the oil and gas properties in Papua New Guinea will remain consistent with historical experiences;
- anticipated results of exploration activities;
- availability of additional financing and farm-in or joint venture partners; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company'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 elsewhere in this MD&A:

- volatility in the market prices for oil and natural gas;
- uncertainties associated with estimating resources;
- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- fluctuations in currency and interest rates;
- incorrect assessments of the value of acquisitions;
- unanticipated results of exploration activities;
- competition for, among other things, capital, acquisitions of reserves, equipment, undeveloped lands and skilled personnel;
- lack of availability of additional financing and farm-in or joint venture partners;
- ability of farm-in or joint venture partners to meet their obligations;
- unpredictable weather conditions; and
- other factors referred to under "Risk Factors" in the Company's annual information form for the six months ended December 31, 2008, dated April 21, 2009 and filed on SEDAR on April 22, 2009.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above.

Undue reliance should not be placed on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

COMPANY OVERVIEW

Eaglewood is a development stage enterprise whose primary activity is exploration of its Papua New Guinea ("PNG") licenses. Eaglewood's common shares are traded on the TSX Venture Exchange under the symbol "EWD". Prior to October 2007, the Company's only asset was cash and its business was the seeking for, and evaluation of, potential oil and gas projects. In October 2007, Eaglewood acquired a 100 percent interest in four petroleum exploration licenses granted by the government of PNG and related technical data (the "Licenses") from Transeuro Energy Corp. and its wholly owned subsidiary (collectively, "Transeuro") in exchange for 30,000,000 common shares of the Company valued at $25,500,000 (the "Transeuro Transaction"). The Company's primary objective is to explore and develop the Licenses. The Company has no other oil and gas properties other than the Licenses. The Company has not yet commenced exploration drilling activities and there is currently no production or reserves associated with the Licenses.

SUBSEQUENT EVENTS

On April 21, 2009, Eaglewood announced that it had entered into a farm-out agreement, pending government approval, relating to PPL260 with Oil Search (PNG) Limited ("OSPNG").

Under the terms of the farm-out agreement, OSPNG will pay Eaglewood US $1,500,000 and will conduct the required geological and geophysical studies (the "Seismic Program") at its sole cost by June 30, 2009 to earn a 10 percent interest in PPL260. OSPNG and Eaglewood plan to shoot further seismic during the second quarter of 2009 in PPL260 at an estimated cost of US $1,600,000 of which Eaglewood's share is expected to be approximately US $800,000. After the completion of the Seismic Program and the additional seismic, OSPNG will have a three-month period in which to elect to earn an additional 60 percent interest in PPL260 in exchange for paying 90 percent of the cost of drilling one exploration well up to a maximum gross cost of US $50,000,000. If OSPNG elects to earn the additional interest, Eaglewood's participating interest in PPL260 will be 30 percent.

DESCRIPTION OF PNG LICENSES

Each of the Licenses gives the Company the right to explore for oil and natural gas on specified blocks in PNG. If exploration is successful, the Company can apply to the PNG government for either a retention license or a development license. A retention license is generally applied for if natural gas reserves have been identified but additional time is required to either prepare a development plan or, if the amount of natural gas reserves is not of a sufficient commercial quantity, to explore for further natural gas reserves. A development license is generally applied for if oil and/or natural gas reserves have been discovered and production is commercially viable. The PNG government has historically granted retention or development licenses however there is a risk that a retention or development license may not be granted to the Company when, or on the terms, applied for.

PPL257
PPL257 was originally granted on October 20, 2004 and has a six year term that expires October 19, 2010. It covers 1,741,500 gross acres located in the Cape Vogel Basin of PNG. The prospective area is predominantly offshore but includes a significant onshore area that will be instrumental for conducting geological field work. PPL257 is an anticipated natural gas play for the Company.
PPL258
PPL258 was originally granted on October 20, 2004 and has a six year term that expires October 19, 2010. It covers 2,227,500 gross acres, all onshore, in the North New Guinea Basin of PNG. PPL258 is an anticipated oil play for the Company.
PPL260
PPL260 was originally granted on March 14, 2005 and has a six year term that expires March 13, 2011. It covers 1,559,250 gross acres, all onshore, in the Papuan Basin of PNG. PPL260 is an anticipated natural gas and oil play for the Company.
PPL259
PPL259 was originally granted on June 30, 2005 and has a six year term that expires June 29, 2011. It covers 1,377,000 gross acres, all onshore, in the Papuan Basin of PNG. PPL259 is an anticipated natural gas and natural gas liquids play for the Company.

The PNG government retains a 22.5 percent back-in right at cost which can be exercised at the time a development license is granted. The PNG government also has a two percent royalty over any oil or natural gas production that may occur with respect to the Licenses.

Pursuant to the Transeuro Transaction, the Company granted Transeuro the right to acquire a 10 percent interest in all, but not less than all, of the Licenses, exercisable within 60 days from the date which the Company completes the drilling and testing of a third well on the Licenses by paying to the Company 10 percent of all costs incurred in respect of the Licenses up to that date and by agreeing to pay 10 percent of the ongoing costs with respect to the exploration and development of the Licenses.

LICENSE COMMITMENTS

Each of the Licenses has specified work and financial commitments that were assumed by the Company when it acquired the Licenses pursuant to the Transeuro Transaction. The remaining commitments are as follows (see also WORK PROGRAM AND OUTLOOK):

PPL259
Drill one exploration well and conduct geological and geophysical studies by June 29, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $20,000,000.
PPL258
Drill one exploration well, acquire 1,000 kilometres of aero-gravity/magnetic survey and spend a minimum of US $10,500,000 by October 20, 2008. In July 2008, the Company applied for, and was granted, a one year deferral until October 20, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $20,000,000.
PPL257
Drill one exploration well, acquire 1,000 line kilometres of offshore seismic and spend a minimum of US $10,000,000 by October 20, 2008. In July 2008, the Company applied for, and was granted, a one year deferral until October 20, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $40,000,000.
PPL260
Drill one exploration well and conduct geological and geophysical studies by March 13, 2009. The Company has applied for a one-year deferral of the work commitment and is awaiting final government approval. See also SUBSEQUENT EVENTS for details on the farm-out of PPL260.

The Company has issued bank guarantees totaling approximately $160,000 (100,000 Papua New Guinea dollars for each license) as security against the capital requirements associated with the Licenses. If the Company does not fulfill its commitments under a License and has not applied for and been granted an extension, it could potentially lose its guarantee and the applicable License could be revoked by the PNG government.

As the Company does not currently generate sufficient cash flow from operating activities to fund its activities, it will need to raise equity financing and/or enter into joint venture or farm-out arrangements to finance its exploration commitments in the Licenses. Pursuant to the farm-out agreement entered into with OSPNG as described in SUBSEQUENT EVENTS, the Company anticipates that the commitments for PPL260 will be met within the pending revised time period. The Company is in active discussions with potential farm-out partners to meet the other license commitments for 2009.

CHANGE OF YEAR END

Effective October 17, 2008, the Company changed its financial year end from June 30 to December 31. The Company made this change in order that its financial year end would be comparable to that of its peers in the oil and gas industry. As a result of this change in year end, the Company has a six month transitional financial period ending December 31, 2008.

SELECTED ANNUAL INFORMATION

($000's except per share data)	**Six months ended December 31, 2008**	Years ended June 30	
		2008	2007
Revenue	**51**	195	29
Loss before discontinued operations	**1,575**	3,102	157
Net loss	**1,575**	3,102	157
Loss per share before discontinued operations	**0.03**	0.07	0.01
Loss per share	**0.03**	0.07	0.01

RESULTS OF OPERATIONS

The Company had a net loss of $1,575,149 for the six months ended December 31, 2008. For the year ended June 30, 2008, the Company reported a net loss of $3,102,489.

The Company's most significant expenses, in comparison to the prior period, are as follows:

	Six months ended December 31, 2008	Year ended June 30, 2008
General and administrative	**$ 782,205**	$ 1,142,865
Professional fees	**407,961**	255,959
Stock-based compensation	**296,085**	1,250,802
Travel	**195,476**	398,779

Compared to the prior full year period, professional fees increased approximately $152,000. The increase in professional fees was a result of the Company's preliminary short form prospectus which was filed on SEDAR on July 15, 2008. On October 10, 2008 the Company announced that it would not continue with the short form prospectus equity offering due to unfavourable financial market conditions.

Travel expenses decreased approximately $203,000 compared to the prior full year period; on an annualized basis, travel expenses were approximately the same. A significant portion of the travel expenses incurred during the six months ended December 31, 2008 were the result of the marketing efforts for the equity offering. Other than the travel expenses related to the marketing efforts, corporate travel was reduced during the six months ended December 31, 2008.

The following table provides a breakdown of the Company's general and administrative expenses by material component:

	Six months ended December 31, 2008	Year ended June 30, 2008
Salaries & wages	**$ 592,176**	$ 879,542
Office costs	**104,204**	152,845
Office rent	**56,088**	73,955
Other general and administrative	**29,737**	36,523
Total	**$ 782,205**	$ 1,142,865

On an annualized basis, the general and administrative expenses for the six months ended December 31, 2008 are approximately 37 percent higher compared to the year ended June 30, 2008. The Company set up its corporate office and PNG office in October 2007 and additional management staff were added in early 2008. Therefore, the general and administrative expenses for the six months ended December 31, 2008, reflect the full staff complement and ongoing costs for the entire period versus the prior year amount which only reflects the full staff complement for approximately seven months.

The Company is currently reviewing its ongoing general and administrative expenses to identify opportunities to reduce costs in 2009.

SELECTED QUARTERLY INFORMATION

The following is a summary of selected financial information for the Company for the periods indicated:

($000's except per share data)	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007
Revenue	22	29	40	56	94	5	6	7
Loss before discontinued operations	652	923	736	699	1,532	136	52	32
Net loss	652	923	736	699	1,532	136	52	32
Loss per share before discontinued operations	0.01	0.02	0.01	0.01	0.03	0.01	0.01	0.01
Total loss per share	0.01	0.02	0.01	0.01	0.03	0.01	0.01	0.01
Total assets	33,030	33,406	34,345	34,863	35,858	694	819	839

The higher losses for the 2008 quarters and the quarter ended December 31, 2007 compared to the prior quarters are predominantly the result of increased expenses as a result of the Company's transition to an active company pursuant to the closing of the Transeuro Transaction as described in COMPANY OVERVIEW. The Company's expenses are described more fully in RESULTS OF OPERATIONS.

In the quarter ended December 31, 2007, the increase in total assets is the result of the Company's acquisition of the PNG Licenses in October 2007 for approximately $25,500,000 and completion of a private placement financing for net proceeds of approximately $9.7 million. Prior to the quarter ended December 31, 2007, the Company's only asset was cash and its business was the seeking for, and evaluation of, potential oil and gas projects.

FINANCIAL CONDITION

At December 31, 2008, the Company had total assets of $33,029,613 compared to $34,345,406 at June 30, 2008. The decrease of approximately $1,316,000 is mainly due to a decrease in cash offset slightly by an increase in petroleum and natural gas properties. Cash decreased mainly as a result of the net loss for the six months ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, the Company had net working capital of $2,641,953 compared to net working capital of $4,538,684 at June 30, 2008. The decrease in working capital is mainly due to the use of cash as described in FINANCIAL CONDITION. Pursuant to the farm-out agreement with OSPNG as described in SUBSEQUENT EVENTS, the Company expects to receive US $1,500,000 when the farm-out agreement is finalized.

Funds used in operations were $1,227,910 for the six months ended December 31, 2008 compared to $1,850,750 for the year ended June 30, 2008. The decrease in the funds used in operations for the six months ended December 31, 2008 is due to the lower net loss for the shorter reporting period. For further information on the operating loss, see RESULTS OF OPERATIONS.

Net cash used in investing activities for the six months ended December 31, 2008 was $819,563 compared to $3,582,893 for the year ended June 30, 2008. During the six months ended December 31, 2008, investing activities consisted mainly of the completion of the PPL260 field study and the initial stages of the PPL257 and 258 aero gravity/magnetic surveys. During the year ended June 30, 2008, investing activities consisted mainly of the construction of a drilling pad on PPL259 and reprocessing of 2-D seismic for PPL258.

Net cash from financing activities for the six months ended December 31, 2008 was $nil compared to net cash from financing activities of $9,679,825 for the year ended June 30, 2008. During the year ended June 30, 2008, the Company issued 12,000,000 common shares at a price of $0.85 per share pursuant to a private placement which closed on October 1, 2007.

Contributed surplus at December 31, 2008 increased $296,085 over June 30, 2008. The increase is due to the stock-based compensation for the year.

The Company does not currently generate sufficient cash flow from its operating activities to fund its activities and has relied upon the issuance of common shares to provide additional funding. The Company's financial statements are presented on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to raise equity financing and/or enter into joint venture or farm-out arrangements in the licenses within the next twelve months to meet its exploration commitments and working capital requirements. The Company entered into a farm-out arrangement, pending government approval, with OSPNG in April 2009 (see SUBSEQUENT EVENTS). Management believes there is the opportunity for the Company to enter into further farm-out or joint venture arrangements in 2009 and therefore continue as a going concern. However, there are no assurances that the Company will be successful in achieving these objectives. If the Company is unable to raise equity financing and/or secure farm-out or joint venture partners, the Company may be unable to continue as a going concern. The Company's financial statements do not reflect the adjustments to the carrying values of assets and liabilities, including any impairment in its petroleum and natural gas properties, and the reported expenses and balance sheet classifications that would be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

2009 WORK PROGRAM AND OUTLOOK

The Company's optimal 2009 work program is based on meeting its license commitments (see LICENSE COMMITMENTS). However, as the Company does not currently have sufficient working capital available to meet its entire 2009 license commitments, the Company will need to either raise equity financing, enter into further joint venture or farm-out arrangements in the Licenses or apply to the PNG Government for a deferral of certain of the commitments.

For PPL260, the Company plans to conduct the Seismic Program at an estimated gross cost of approximately US $6,000,000. Under the terms of the farm-out agreement with OSPNG, the full cost of the Seismic Program will be paid by OSPNG (see SUBSEQUENT EVENTS).

Due to current financial market conditions, in 2009 the Company will focus on securing farm-out arrangements with financially strong partners as a means to obtain funding to meet its other 2009 License commitments. The estimated costs for the 2009 commitments for PPLs 257, 258 and 259 are as follows:

PPL259
Drill one exploration well at a gross estimated cost of approximately US $20,000,000.
PPL258
Drill one exploration well at a gross estimated cost of approximately US $20,000,000.
PPL257
Drill one exploration well at a gross cost of approximately US $40,000,000.

As a result of the nature of the petroleum and natural gas exploration, development and exploitation industry, budgets are regularly reviewed with respect to both the success of expenditures and other opportunities that become available. Accordingly, while it is currently intended by management of the Company that the general expenditures set out in the work program above will be made by the Company, actual expenditures may in fact differ from these plans, amounts and allocations.

Additionally, completion of activities are subject to potential barriers such as, but not limited to, lack of capital, lack of available equipment and poor weather which may impact the time of completions. Additional risk factors are disclosed in the Company's Annual Information Form dated April 21, 2009 which is available on SEDAR at www.sedar.com.

OUTSTANDING SHARE DATA

As at April 21, 2009, the Company had 57,744,942 common shares outstanding and had 8,000,000 performance warrants and 5,675,000 stock options outstanding under its stock option plan.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

For the six months ended December 31, 2008, the Company paid $77,938 for legal services to a firm of which an officer of the Company is a partner.

The Company paid $12,000 in management fees to a company controlled by a director. These fees were paid for administration services which were provided by the director who previously acted as an officer of the Company.

The Company paid $89,330 for geophysical consulting to a company with common directors. The amounts were recorded at cost. The majority of the costs were included in petroleum and natural gas properties and the remainder was included in general and administrative expenses.

CHANGES IN ACCOUNTING POLICIES

Effective July 1, 2008, the Company adopted the CICA Handbook Section 1535, *Capital Disclosure*. This section establishes standards for disclosing information about an entity's capital and how it is managed. The adoption of this section has had no impact on the amounts that the Company reports in its consolidated financial statements.

Effective July 1, 2008, the Company adopted the CICA Handbook Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentations*. The adoption of these sections results in additional disclosures regarding the significance of financial instruments for the Company's financial position and performance, and the nature, extent and management of risks arising from financial instruments to which the Company is exposed.

Additional information on the implementation of these new standards can be found in Note 4 to the Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

The CICA has issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This section will be effective for Eaglewood's fiscal year beginning January 1, 2009. Eaglewood is currently evaluating the impact of the adoption of this new section on its consolidated financial statements. The Company does not expect that the adoption of this new section will have a material impact on its consolidated financial statements.

In February 2008, the Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for all publicly accountable profit-oriented enterprises. Eaglewood will be required to report its results in accordance with IFRS beginning January 1, 2011 with comparative data for the prior year.

The Company has established a project plan for implementing IFRS which includes determining:

- changes to accounting policies and implementation decisions;
- disclosure requirements;
- changes to information systems and accounting processes;
- training requirements; and
- external stakeholder communication.

The impact of the adoption of IFRS on the Company's financial reporting is not yet determinable.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company is a venture issuer that has not had significant revenue from operations in either of its last two financial years. In accordance with National Instrument 51-102, additional disclosure on material costs, other than general and administrative expenses, is presented below. Additional disclosure on general and administrative expenses has been included in RESULTS OF OPERATIONS.

	Six months ended December 31, 2008	Year ended June 30, 2008
Capitalized exploration and development costs	**$ 619,127**	$ 29,371,010

EAGLEWOOD ENERGY INC.

CONSOLIDATED BALANCE SHEETS

As at		December 31 2008		June 30 2008
ASSETS				
Current Assets				
Cash and cash equivalents	$	**2,781,985**	$	4,829,458
Accounts receivable		**184,200**		57,180
Prepaid expenses		**-**		13,007
		2,966,185		4,899,645
Petroleum and natural gas properties (note 6)		**30,063,428**		29,445,761
	$	**33,029,613**	$	34,345,406
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	$	**324,232**	$	360,961
Shareholders' Equity				
Share capital (note 7)		**40,771,686**		40,771,686
Contributed surplus (note 7)		**1,953,154**		1,657,069
Deficit		**(10,019,459)**		(8,444,310)
		32,705,381		33,984,445
	$	**33,029,613**	$	34,345,406

See accompanying notes to consolidated financial statements

Contingencies and commitments (note 13)

Approved by the Board of Directors

"signed" Hal Hemmerich, Chairman

"signed" Ray Antony, Director

EAGLEWOOD ENERGY INC.

CONSOLIDATED STATEMENTS OF NET LOSS, COMPREHENSIVE LOSS AND DEFICIT

		Six months ended December 31, 2008		Year ended June 30, 2008
Revenue				
Interest income	**$**	**50,888**	$	194,508
Expenses				
Bank charges and interest		**5,151**		5,509
Management fees		**12,000**		48,000
General and administrative		**782,205**		1,142,865
Professional fees		**407,961**		255,959
Public company		**64,410**		90,826
Consulting		**25,464**		54,395
Stock-based compensation		**296,085**		1,250,802
Depreciation		**7,435**		16,097
Travel		**195,476**		398,779
Other		**7,248**		729
Foreign exchange (gain) loss		**(177,398)**		33,036
		1,626,037		3,296,997
Net loss and comprehensive loss for the year		**(1,575,149)**		(3,102,489)
Deficit, beginning of year		**(8,444,310)**		(5,341,821)
Deficit, end of year	**$**	**(10,019,459)**	$	(8,444,310)
Net loss per common share - basic and diluted	**$**	**(0.03)**	$	(0.07)
Weighted average common shares - basic and diluted		**57,744,942**		47,187,565

See accompanying notes to consolidated financial statements

EAGLEWOOD ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

		Six months ended December 31, 2008		Year ended June 30, 2008
Cash flows related to the following activities:				
Operating Activities				
Net loss	**$**	**(1,575,149)**	$	(3,102,489)
Items not involving cash:				
Stock-based compensation		**296,085**		1,250,802
Depreciation		**7,435**		16,097
		(1,271,629)		(1,835,590)
Changes in non-cash working capital (note 11)		**43,719**		(15,160)
		(1,227,910)		(1,850,750)
Investing Activities				
Additions to petroleum and natural gas properties		**(625,102)**		(3,833,609)
Changes in non-cash working capital (note 11)		**(194,461)**		250,716
		(819,563)		(3,582,893)
Financing Activities				
Issue of common shares		**-**		10,200,000
Share issue costs		**-**		(520,175)
		-		9,679,825
Net increase (decrease) in cash		**(2,047,473)**		4,246,182
Cash and cash equivalents, beginning of period		**4,829,458**		583,276
Cash and cash equivalents, end of period	**$**	**2,781,985**	$	4,829,458
Cash and cash equivalents is composed of:				
Cash in banks		**781,985**		829,458
Term deposits		**2,000,000**		4,000,000
	$	**2,781,985**	$	4,829,458
Supplementary information:				
Interest received	**$**	**5,129**	$	183,987
Interest paid	**$**	-	$	-
Taxes paid	**$**	-	$	-

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008 AND FOR THE SIX MONTHS ENDED DECEMBER 31, 2008 AND THE YEAR ENDED JUNE 30, 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

Eaglewood Energy Inc. (collectively with its subsidiary, the "Company" or "Eaglewood") is a development stage enterprise whose primary activity is exploration of its Papua New Guinea ("PNG") licenses. The Company has not yet commenced exploration drilling activities and does not have any production revenue. The Company was formerly named Surge Resources Inc. and changed its name effective October 30, 2007.

Effective October 17, 2008, the Company changed its financial year end from June 30 to December 31. As a result of this change in year end, the Company has a six month transitional financial period ending December 31, 2008.

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any petroleum revenue to date and for the six months ended December 31, 2008, the Company reported a net loss of approximately $1.6 million. At December 31, 2008, the Company had an accumulated deficit of approximately $10 million and net working capital of approximately $2.6 million. In addition to its ongoing working capital requirements, the Company has financial commitments related to its PNG licenses as described in note 13(b). These circumstances raise substantial doubt as to the ability of the Company to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise equity financing and/or enter into joint venture or farm-out arrangements in the next twelve months. The Company entered into a farm-out arrangement, pending PNG government approval, with OSPNG in April 2009 (see note 15). Management believes there is the opportunity for the Company to enter into further farm-out or joint venture arrangements in 2009 and therefore continue as a going concern. However, there are no assurances that the Company will be successful in achieving these objectives. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, including any impairment in the petroleum and natural gas properties, and the reported expenses and balance sheet classifications that would be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

2. FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Eaglewood Energy (BVI) Ltd. which was incorporated on July 4, 2007. The consolidated financial statements are presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP").

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and short-term deposits that are redeemable at any time.

Petroleum and natural gas properties

The Company has adopted the Canadian Accounting Standard for Enterprises in the Development Stage. All direct costs relating to the exploration and development of the PNG petroleum prospecting licenses to date, including capital expenditures and pre-operating costs, are capitalized including the cost of the acquisition of the licenses, exploration and development, annual license fees and administrative costs that are directly related to exploration activities. When production begins, these capitalized costs will be amortized following the unit-of-production method based on proved reserves.

The carrying values of petroleum and natural gas properties are not intended to reflect their future value. In particular, the future value of the petroleum and natural gas properties depends on the ability of the Company to obtain financing, the start-up of commercial production and the future profitability of the properties. Accordingly, the petroleum and natural gas properties are assessed in each reporting period to determine if there are events or circumstances that would indicate it is unlikely such costs will be recovered in the future. If there are costs that are considered unlikely to be recovered, they are charged to earnings.

Amortization of petroleum and natural gas properties will follow the unit-of-production method based on proved reserves when production begins. Office equipment and furniture are depreciated at declining balance rates of 20 to 30 percent.

Asset Retirement Obligations

The Company recognizes the estimated fair value of future retirement obligations associated with capital assets as a liability in the period in which they are incurred, normally when the asset is purchased or developed. The fair value of future retirement obligations is capitalized and amortized over the same period as the underlying asset. The Company estimates the liability based on the estimated costs to abandon and reclaim the wells and well sites under the terms of the exploration licenses. Actual retirement obligations settled during the period reduce the asset retirement liability.

Financial Instruments
The Company follows CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, which establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables” or “other financial liabilities” as defined by the standard.

Cash equivalents are designated as “held-for-trading” and are measured at fair value. Accounts receivable are designated as “loans and receivables” and are carried at cost. Accounts payable are designated as “other financial liabilities” and are carried at cost.

Stock-based Compensation
The Company uses the fair value method for valuing stock option grants. The estimated fair value is expensed over the vesting period with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Foreign Currency Translation
The Company’s reporting currency is Canadian dollars.

Business conducted in PNG is considered to be an “integrated foreign operation” for accounting purposes and therefore its financial statements are translated into Canadian dollars using the temporal method. Under the temporal method, foreign denominated monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Foreign denominated non-monetary assets and liabilities are translated at historical exchange rates.

Foreign denominated revenues and expenses are translated at the average exchange rate for the period, except for charges related to non-monetary assets which are translated at the historical exchange rate for the assets to which the charge relates, and material items where a specific date can be identified for the transaction which is translated at the exchange rate on that specific date. Any resulting foreign exchange gains or losses are included in the determination of net income.

Per share amounts
Basic per share amounts are calculated using the weighted average number of common shares outstanding for the period. The Company follows the treasury stock method to calculate diluted per share amounts. The treasury stock method assumes that any proceeds from the exercise of in-the-money stock options or other dilutive instruments, in addition to stock-based compensation not yet recognized, would be used to purchase common shares at the average market price during the period. Diluted earnings per share do not include any anti-dilutive conversions.

Income taxes
The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributed to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax assets is recognized in income in the period that the change occurs.

Measurement uncertainty
The timely preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Amounts recorded for depreciation, depletion and accretion, amounts used for the ceiling test and impairment calculations and amounts used in the determination of the future tax liability are based on estimates of natural gas and crude oil reserves and future costs required to develop those reserves. By their nature, these estimates of reserves, including the estimates of future prices and costs, and the related future cash flows are subject to measurement uncertainty.

4. CHANGES IN ACCOUNTING POLICIES

On July 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants (“CICA”) handbook sections:

- Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, which replace Section 3861, *Financial Instruments – Disclosure and Presentation*. The new disclosure standard increases the emphasis on the risks associated with financial instruments and how those risks are managed (see note 8). The new presentation standard carries forward the former presentation requirements.
- Section 1535, *Capital Disclosures*. The adoption of this standard requires specific disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance (see note 9).

5. Recent accounting pronouncements

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements and does not expect that the adoption of this new section will have a material impact on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for all publicly accountable profit-oriented enterprises. Eaglewood will be required to report its results in accordance with IFRS beginning January 1, 2011 with comparative data for the prior year. The Company has established a project plan for implementing IFRS which includes determining:

- changes to accounting policies and implementation decisions;
- disclosure requirements;
- changes to information systems and accounting processes;
- training requirements; and
- external stakeholder communication.

The impact of the adoption of IFRS on the Company's financial reporting is not yet determinable.

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6. PETROLEUM AND NATURAL GAS PROPERTIES

December 31, 2008:	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	$29,990,137	-	$29,990,137
Office furniture and equipment	96,823	23,532	73,291
	$30,086,960	**23,532**	**$30,063,428**

June 30, 2008:	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	$29,371,010	-	$29,371,010
Office furniture and equipment	90,848	16,097	74,751
	$29,461,858	**16,097**	**$29,445,761**

As at December 31, 2008, the cost of the petroleum and natural gas properties includes $29,990,137 (as at June 30, 2008 - $29,371,010) relating to unproved properties which have been excluded from costs subject to depletion and depreciation.

Included in petroleum and natural gas properties is $220,372 (as at June 30, 2008 -$103,613) of capitalized general and administrative expenses related to exploration activities.

7. SHARE CAPITAL

(a) Authorized:
The Company is authorized to issue an unlimited number of common shares and preferred shares.

(b) Common shares issued:

	December 31, 2008		June 30, 2008	
	Number of Shares	**Amount**	Number of Shares	Amount
Opening balance	**57,744,942**	**$40,771,686**	15,744,942	$5,807,409
Shares issued through private placement (i)	**-**	**-**	12,000,000	10,200,000
Shares issued for property acquisition (ii)	**-**	**-**	30,000,000	25,500,000
Issue costs	**-**	**-**	-	(735,723)
Closing balance	**57,744,942**	**$40,771,686**	57,744,942	$40,771,686

(i) On October 1, 2007, the Company issued 12,000,000 common shares pursuant to a private placement for gross proceeds of $10,200,000. The agent was paid a cash commission of six percent of the gross proceeds and was granted warrants to purchase 600,000 common shares. The fair value of the warrants was included in the issue costs.

(ii) On October 1, 2007, in consideration for the acquisition of a 100% interest in four exploration prospecting licenses granted by the Government of PNG and all related geological, seismic and technical data, the Company issued to the vendor 30,000,000 common shares at a deemed price of $0.85 per common share. The value of the common shares was determined based upon the average trading price at the announcement date of the transaction.

(c) Warrants outstanding:

	As at December 31, 2008		As at June 30, 2008	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding beginning of period	**600,000**	**$0.85**	-	-
Issued (i)	**-**	**-**	600,000	$0.85
Expired (i)	**(600,000)**	**$0.85**	-	-
Outstanding end of period	**-**	**-**	600,000	$0.85

(i) Pursuant to the private placement described in note 7(b)(i), the agent was granted warrants to purchase 600,000 common shares at $0.85 per common share. The warrants were not exercised and expired on September 30, 2008.

(d) Stock options:

The Company has a stock option plan for directors, officers, employees and consultants. Under the Company's stock option plan, the Company may grant options of up to 10 percent of the issued and outstanding common shares. The plan is administered by the Board of Directors. In accordance with the policies of the TSX Venture Exchange, the option exercise price, when granted, is based on the closing price of the Company's shares on the TSX-V on the last trading day prior to the grant, subject to a permitted discount. Options granted under the plan have an exercise period not exceeding five years. The vesting period is determined at the time of grant at the discretion of the Board of Directors.

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Stock option continuity
The Company had stock options outstanding to acquire common shares as follows:

	As at December 31, 2008		As at June 30, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding beginning of period	3,325,000	$0.86	600,000	$0.45
Granted	2,500,000	$0.10	2,775,000	$0.95
Cancelled	(50,000)	$1.06	(50,000)	$0.85
Outstanding end of period	5,775,000	$0.53	3,325,000	$0.86
Exercisable, end of period	2,116,671	$0.82	1,341,669	$0.76

The following table summarizes the stock options outstanding at December 31, 2008:

	Options outstanding			Options exercisable	
Range of exercise prices	Number	Weighted average exercise price	Weighted average life (years)	Number	Weighted average exercise price
$0.10 - $0.50	3,100,000	$ 0.17	4.14	675,000	$ 0.41
$0.51 - $1.00	1,425,000	$ 0.80	4.44	608,335	$ 0.85
$1.01 - $1.35	1,250,000	$ 1.13	3.80	833,336	$ 1.13
$0.10 - $1.35	**5,775,000**	**$ 0.53**	**4.00**	**2,116,671**	**$ 0.82**

(e) Performance warrants:
In 2008, the Company granted performance warrants to certain employees. The performance warrants entitle the employees to purchase an equivalent number of common shares of the Company if the common shares close at or above pre-determined prices for specified periods of time. The performance warrants vest in four equal tranches over a two year period and expire three years from the date of grant. The exercise price of the performance warrants escalates with each tranche and ranges from $0.75 to $1.75.

Performance warrants continuity

	As at December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price
Outstanding beginning of period	-	-
Granted	8,000,000	$1.19
Outstanding end of period	8,000,000	$1.19
Exercisable, end of period	-	-

(f) Stock-based compensation

The fair value of common share options and performance warrants granted is estimated on the date of grant and is recognized over the vesting period. During the six months ended December 31, 2008, stock-based compensation in the amount of $296,085 (year ended June 30, 2008 - $1,250,802) was recorded in the consolidated statement of loss using the Black-Scholes option pricing model based on the following assumptions:

	Six months ended December 31, 2008	Year ended June 30, 2008
Expected life of stock options	4 years	4 years
Expected life of performance warrants	3 years	-
Expected volatility	150%	57%
Risk-free rate of return	2.16% - 2.40%	4.11%
Dividend yield	0%	0%

(g) Contributed surplus continuity

	As at December 31, 2008	As at June 30, 2008
Balance, beginning of period	**$ 1,657,069**	$ 294,667
Stock-based compensation	**296,085**	1,250,802
Fair value of warrants	**-**	111,600
Balance, end of period	**$ 1,953,154**	$ 1,657,069

8. FINANCIAL INSTRUMENTS

The Company does not utilize derivative instruments to manage risks. The Company is exposed to the following risks related to its financial assets and liabilities:

(a) Foreign currency exchange risk
The Company is exposed to risk arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to: (i) certain expenditure commitments, deposits and accounts payable which are denominated in foreign currencies including US dollars, Australian dollars or Papua New Guinea dollars; and (ii) its operations in Papua New Guinea.

(b) Fair values
The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short term nature of these financial instruments.

The carrying value and fair value of financial assets and liabilities as at December 31, 2008 are summarized below:

Classification	Carrying Value	Fair Value
Held-for-trading (Cash and cash equivalents)	$ 2,781,985	$ 2,781,985
Loans and receivables (Accounts receivable)	184,200	184,200
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (Accounts payable and accrued liabilities)	324,232	324,232

9. Capital management

The Company's objectives when managing its capital structure are to maintain adequate levels of available working capital, including cash and cash equivalents, to meet its license commitments in PNG.

The Company funds its share of expenditures of all commitments from existing cash and cash equivalent balances received primarily from issuances of shareholders' equity. In order to maintain positive working capital, the Company may issue new shares. The Company does not utilize debt and is not subject to any financial covenants.

The Board of Directors regularly reviews the Company's cash and cash equivalents against the expenditure commitments and assesses the timing and need for additional equity financing. The Company's results will impact its access to the capital necessary to meet these expenditure commitments. There can be no assurance that equity financing will be available or sufficient to meet those requirements, or for other corporate purposes, or if equity financing is available, that it will be on terms acceptable to the Company.

Given the current financial market conditions, in 2009 the Company will focus on farm-out or joint venture arrangements as a source of capital to meet its license commitments.

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10. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with related parties in the normal course of business, which were valued at the exchange amount established and agreed to by the related parties. During the six months ended December 31, 2008, the related party transactions were as follows:

(a) the Company paid $12,000 (year ended June 30, 2008 - $48,000) to a company controlled by a director. These fees were paid for administration services which were provided by the director who previously acted as an officer of the Company. At December 31, 2008, $nil (June 30, 2008 - $nil) was included in accounts payable and accrued liabilities.

(b) the Company paid $77,938 (year ended June 30, 2008 - $105,769) for legal services to a law firm of which an officer of the Company is a partner. At December 31, 2008, $6,071 (June 30, 2008 - $3,527) was included in accounts payable and accrued liabilities.

(c) the Company paid $89,330 (year ended June 30, 2008 - $2,838,265) for geophysical consulting to a company with common directors. The amounts were recorded at cost. The majority of the costs were included in petroleum and natural gas properties and the remainder in general and administrative expenses. At December 31, 2008, $nil (June 30, 2008 - $96,390) was included in accounts payable and accrued liabilities.

11. SUPPLEMENTARY CASH FLOW INFORMATION

The following table details the components of non-cash working capital:

	Six months ended December 31, 2008	Year ended June 30, 2008
Provided by (used in):		
Accounts receivable	**$ (127,020)**	$ (53,289)
Prepaid expenses	**13,007**	(13,007)
Accounts payable and accrued liabilities	**(36,729)**	301,852
	$ (150,742)	$ 235,556
Operating	**$ 43,719**	$ (15,160)
Investing	**(194,461)**	250,716
	$ (150,742)	$ 235,556

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12. INCOME TAXES

The following tables reconcile income taxes calculated at the Canadian statutory rate with recorded income taxes:

	Six months ended December 31, 2008		
	Canada	Papua New Guinea	**Total**
Loss before taxes	$ (780,687)	$ (794,462)	**$ (1,575,149)**
Statutory income tax rate	29.5%	29.5%	**29.5%**
	$ (230,303)	$ (234,366)	**$ (464,669)**
Stock-based compensation	87,345	-	**87,345**
Change in valuation allowance	(50,689)	410,178	**359,489**
Income subject to tax in foreign jurisdictions	-	(3,972)	**(3,972)**
Change in tax rates	21,807	-	**21,807**
Tax expense	$ (171,840)	$ 171,840	**$ -**

	Year ended June 30, 2008		
	Canada	Papua New Guinea	**Total**
Loss before taxes	$ (2,212,904)	$ (889,585)	**$ (3,102,489)**
Statutory income tax rate	29.5%	29.5%	**29.5%**
	$ (652,807)	$ (262,427)	**$ (915,234)**
Non-deductible G&A	3,695	2,899	**6,594**
Stock-based compensation	368,987	-	**368,987**
Other	33,142	-	**33,142**
Change in valuation allowance	96,748	171,839	**268,587**
Income subject to tax in foreign jurisdictions	-	87,689	**87,689**
Change in tax rates	150,235	-	**150,235**
Tax expense	$ -	$ -	**$ -**

The components of future income tax assets are as follows:

	Six months ended December 31, 2008		
	Canada	Papua New Guinea	**Total**
Property, plant and equipment	$ 40,507	$ 4	**$ 40,511**
Share issue costs	132,828	-	**132,828**
Non-capital losses	583,326	410,174	**993,500**
Capital losses	472,492	-	**472,492**
ECE	100	-	**100**
Valuation allowance	(1,229,253)	(410,178)	**(1,639,431)**
Future tax asset	$ -	$ -	**$ -**

The Company has losses of $3,700,552 to carry forward in Canada and Papua New Guinea that expire in 2028 and 2029.

	Year ended June 30, 2008		
	Canada	Papua New Guinea	**Total**
Property, plant and equipment	$ 38,648	$ 4	**$ 38,652**
Share issue costs	151,609	-	**151,609**
Non-capital losses	445,254	171,835	**617,089**
Capital losses	472,492	-	**472,492**
ECE	100	-	**100**
Valuation allowance	(1,108,103)	(171,839)	**(1,279,942)**
Future tax asset	$ -	$ -	**$ -**

13. CONTINGENCIES AND COMMITMENTS

a) Pursuant to the acquisition of a 100% interest in four exploration prospecting licenses granted by the Government of PNG and all related geological, seismic and technical data (the "Licenses"), the vendor has the right to acquire a 10 percent interest in all, but not less than all, of the Licenses exercisable within 60 days from the date that the Company completes the drilling and testing of a third well on the Licenses by paying to the Company 10 percent of all costs incurred in respect of the Licenses up to the election date and by agreeing to pay 10 percent of the ongoing costs with respect to the exploration and development of the Licenses.

b) Pursuant to the terms of the Licenses, the Company has assumed certain financial and work commitments relating to the licenses as described below:

License	Commitment
PPL259	Drill one exploration well and conduct geological and geophysical studies by June 29, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $20,000,000.
PPL257	Drill one exploration well, acquire 1,000 line kilometres of offshore seismic and spend a minimum of US $10,000,000 by October 20, 2008. In July 2008, the Company applied for, and was granted, a one year deferral until October 20, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $40,000,000.
PPL258	Drill one exploration well, acquire 1,000 kilometres of aero-gravity/magnetic survey and spend a minimum of US $10,500,000 by October 20, 2008. In July 2008, the Company applied for, and was granted, a one year deferral until October 20, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $20,000,000.
PPL260	Drill one exploration well and conduct geological and geophysical studies by March 13, 2009. The Company has applied for a one-year deferral of the work commitment and is awaiting final PNG government approval. The Company has entered into a farm-out arrangement, which is pending government approval, for PPL260 (see note 15).

The Company has issued bank guarantees totaling approximately $160,000 (100,000 Papua New Guinea dollars for each license) as security against the capital requirements associated with the Licenses. If the Company does not fulfill its commitments under a License and has not applied for and been granted an extension, it could potentially lose its guarantee and the applicable License could be revoked by the PNG government.

c) The PNG government retains a 22.5 percent back-in right which can be exercised at the time a development license is granted. If the PNG government exercises its back-in right, it would be required to pay the Company 22.5 percent of all costs incurred in respect of the Licenses up to the election date and to pay 22.5 percent of the ongoing production and development costs of the Licenses.

14. Segmented information

The Company has one reportable business segment, that being oil and gas exploration and development. The Company's operations were carried on in the following geographic locations:

	Six months ended December 31, 2008		
	Canada	Papua New Guinea	Consolidated
Total revenues	$ 50,888	$ -	$ 50,888
Expenses	831,574	794,463	1,626,037
Net loss	$ 780,686	$ 794,463	$ 1,575,149
Segment assets	$ 2,919,991	$ 30,109,622	$ 33,029,613
Segment petroleum and natural gas properties	$ -	$ 29,990,137	$ 29,990,137
Capital additions	$ 6,222	$ 618,880	$ 625,102

	Year ended June 30, 2008		
	Canada	Papua New Guinea	Consolidated
Total revenues	$ 193,640	$ 868	$ 194,508
Expenses	2,406,545	890,452	3,296,997
Net loss	$ 2,212,905	$ 889,584	$ 3,102,489
Segment assets	$ 4,907,060	$ 29,438,346	$ 34,345,406
Segment petroleum and natural gas properties	$ -	$ 29,371,010	$ 29,371,010
Capital additions	$ 90,600	$ 29,371,258	$ 29,461,858

15. SUBSEQUENT EVENTS

On April 21, 2009, Eaglewood announced that it had entered into a farm-out agreement, pending PNG government approval, relating to PPL260 with Oil Search (PNG) Limited ("OSPNG"). Under the terms of the farm-out agreement, OSPNG will pay Eaglewood US $1,500,000 and will conduct the required geological and geophysical studies (the "Seismic Program") at its sole cost by June 30, 2009 to earn a 10 percent interest in PPL260. OSPNG and Eaglewood plan to shoot further seismic during the second quarter of 2009 in PPL260 at an estimated cost of US $1,600,000 of which Eaglewood's share is expected to be approximately US $800,000. After the completion of the Seismic Program and the additional seismic, , OSPNG will have a three-month period in which to elect to earn an additional 60 percent interest in PPL260 in exchange for paying for 90 percent of the cost of drilling one exploration well up to a maximum gross cost of US $50,000,000. If OSPNG elects to earn the additional interest, Eaglewood's participating interest in PPL260 will be 30 percent.