EAGLEWOOD ENERGY INC.

Interim Consolidated Financial Statements

As at September 30, 2008 and for the three months ended September 30, 2008 and 2007

The auditor of Eaglewood Energy Inc. has not performed a review of the unaudited interim financial statements for the three months ended September 30, 2008 and 2007.

EAGLEWOOD ENERGY INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at	September 30 2008	June 30 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ **3,575,240**	$ 4,829,458
Accounts receivable	**79,113**	57,180
Prepaid expenses	**4,013**	13,007
	3,658,366	4,899,645
Petroleum and natural gas properties (note 4)	**29,747,330**	29,445,761
	$ **33,405,696**	$ 34,345,406
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ **175,645**	$ 360,961
Shareholders' Equity		
Share capital (note 5)	**40,771,686**	40,771,686
Contributed surplus (note 5)	**1,819,748**	1,657,069
Deficit	**(9,361,383)**	(8,444,310)
	33,230,051	33,984,445
	$ **33,405,696**	$ 34,345,406

See accompanying notes to the consolidated financial statements

Contingencies and commitments (note 10)

Approved by the Board of Directors

"signed"
Ray Antony, Director

"signed"
Roy Hudson, Director

CONSOLIDATED STATEMENTS OF NET LOSS, COMPREHENSIVE LOSS AND DEFICIT (UNAUDITED)

	For the three months ended September 30	
	2008	2007
Revenue		
Interest income	**$ 29,380**	$ 5,180
Expenses		
Bank charges and interest	**4,171**	55
Management fees	**6,000**	6,000
General and administrative	**364,850**	9,646
Professional fees	**137,337**	64,431
Public company	**68,263**	9,584
Consulting	**17,625**	15,833
Stock-based compensation	**162,679**	25,338
Depreciation	**3,748**	-
Travel	**139,304**	-
Other	**4,094**	10,204
Foreign exchange loss	**38,382**	-
	946,453	141,091
Net loss and comprehensive loss for the period	**(917,073)**	(135,911)
Deficit, beginning of period	**(8,444,310)**	(5,341,821)
Deficit, end of period	**$ (9,361,383)**	$ (5,477,732)
Net loss per common share - basic and diluted	**$ (0.02)**	$ (0.01)
Weighted average common shares - basic and diluted	**57,744,942**	15,744,942

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	For the three months ended September 30	
	2008	2007
Cash flows related to the following activities:		
Operating Activities		
Net loss	**$ (917,073)**	$ (135,911)
Items not involving cash:		
Stock-based compensation	**162,679**	25,338
Depreciation	**3,748**	-
	(750,646)	(110,573)
Changes in non-cash working capital (note 9)	**(319,505)**	(45,844)
	(1,070,151)	(156,417)
Investing Activities		
Additions to petroleum and natural gas properties	**(305,317)**	(5,880)
Changes in non-cash working capital (note 9)	**121,250**	-
	(184,067)	(5,880)
Net increase (decrease) in cash	**(1,254,218)**	(162,297)
Cash and cash equivalents, beginning of period	**4,829,458**	583,276
Cash and cash equivalents, end of period	**$ 3,575,240**	$ 420,979
Cash and cash equivalents is composed of:		
Cash in banks	**875,240**	420,979
Term deposits	**2,700,000**	-
	$ 3,575,240	$ 420,979
Supplementary information:		
Interest received	**$ 3,833**	$ 5,180
Interest paid	**$ -**	$ **-**
Taxes paid	**$ -**	$ **-**

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2008 AND FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN

Eaglewood Energy Inc. (collectively with its subsidiary, the "Company" or "Eaglewood") is engaged in the business of oil and gas exploration in Papua New Guinea ("PNG"). The Company was formerly named Surge Resources Inc. and changed its name effective October 30, 2007.

The Company's interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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 three months ended September 30, 2008, the Company reported a net loss of approximately $917,000. At September 30, 2008, the Company had an accumulated deficit of approximately $9.4 million and net working capital of approximately $3.5 million. In addition to its ongoing working capital requirements, the Company has financial commitments related to its Papua New Guinea licenses as described in note 10 (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. 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 interim 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 interim consolidated financial statements are presented in Canadian dollars and in accordance with GAAP on the same basis as the annual audited financial statements as at and for the year ended June 30, 2008. These interim consolidated financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended June 30, 2008. The disclosures provided herein do not conform to the financial reporting requirements of annual financial statements.

3. CHANGES IN ACCOUNTING POLICIES

As disclosed in the Company's June 30, 2008 annual audited consolidated financial statements, 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 6). 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 7).

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 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 confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards will replace Canada's current GAAP for all publicly accountable profit-oriented enterprises. The Company is currently evaluating the impact of this changeover on its consolidated financial statements.

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4. PETROLEUM AND NATURAL GAS PROPERTIES

September 30, 2008:	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	$29,675,229	-	$29,675,229
Office furniture and equipment	91,945	19,844	72,101
	$29,767,174	**19,844**	**$29,747,330**

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 September 30, 2008, the cost of the petroleum and natural gas properties includes $29,675,229 (as at June 30, 2008 - $29,371,010) relating to unproved properties which have been excluded from costs subject to depletion and depreciation. The majority of these costs relate to unproved properties.

Included in petroleum and natural gas properties is $151,350 (June 30, 2008 -$103,613) of capitalized general and administrative expenses related to exploration activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. SHARE CAPITAL

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

(b) Common shares issued:

	September 30, 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 petroleum and natural gas properties 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 as described in note 5 (c)(i). The fair value of the warrants was determined to be $111,600 using the Black-Scholes option pricing model and was included in the issue costs.

(ii) On October 1, 2007, the Company issued 30,000,000 common shares at a price of $0.85 per common share to Transeuro Energy Corp. and its wholly owned subsidiary (collectively, “Transeuro”) in consideration for the acquisition of a 100% interest in four exploration prospecting licenses (the “Licenses”) granted by the Papua New Guinea (“PNG”) government and all related geological, seismic and technical data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(c) Warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price per Share
Warrants issued October 1, 2007 (i)	600,000	$0.85
Balance June 30, 2008	600,000	$0.85
Expired	(600,000)	$0.85
Balance September 30, 2008	-	-

(i) Warrants were issued pursuant to the October 1, 2007 private placement and entitled the holder thereof to purchase an additional common share of the Company at a price of $0.85, exercisable for a period of 12 months. 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 TSXV 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.

Stock option continuity

At September 30, the Company had stock options outstanding to acquire common shares as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2008	**3,325,000**	**$0.86**
Outstanding, September 30, 2008	**3,325,000**	**$0.86**
Exercisable, September 30, 2008	**1,341,669**	**$0.76**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Stock-based compensation

The fair value of common share options granted is estimated on the date of grant and is recognized over the vesting period. During the three months ended September 30, 2008, compensation expense in the amount of $162,679 (2007 - $25,338) was recorded in the consolidated statement of loss using the Black-Scholes option pricing model based on the following assumptions:

	Three months ended September 30, 2008
Expected life of options	4 years
Expected volatility	57%
Risk-free rate of return	4.11%
Dividend yield	0%

Contributed surplus continuity

Balance, June 30, 2008	**$ 1,657,069**
Stock-based compensation	**162,679**
Balance, September 30, 2008	**$ 1,819,748**

6. 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 which approximate their fair values due to the immediate or short term nature of these financial instruments.

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The carrying value and fair value of financial assets and liabilities as at September 30, 2008 are summarized below:

Classification	Carrying Value	Fair Value
Held-for-trading (Cash and cash equivalents)	3,575,240	3,575,240
Loans and receivables (Accounts receivable)	79,113	79,113
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (Accounts payable and accrued liabilities)	175,645	175,645

7. 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.

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8. 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 three months ended September 30, the related party transactions were as follows:

(a) the Company incurred costs of $6,000 (2007 - $6,000) 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 September 30, 2008, $nil (2007 - $nil) was included in accounts payable and accrued liabilities.

(b) the Company incurred costs of $62,631 (2007 - $36,541) for legal services to a law firm of which a director of the Company is a partner. At September 30, 2008, $3,542 of the above amount (2007 - $10,735) was included in accounts payable and accrued liabilities.

(c) the Company incurred costs of $22,945 (2007 - $nil) for geophysical consulting to a company with common directors and a common officer. 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 September 30, 2008, $7,894 (2007 - $nil) of the above amount was included in accounts payable and accrued liabilities.

9. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended September 30	
	2008	2007
Provided by (used in):		
Accounts receivable	**(21,933)**	(2,437)
Prepaid expenses	**8,994**	(28,499)
Accounts payable and accrued liabilities	**(185,316)**	(14,908)
	(198,255)	(45,844)
Operating	**(319,505)**	(45,844)
Investing	**121,250**	-
	(198,255)	(45,844)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. CONTINGENCIES AND COMMITMENTS

a) Pursuant to the acquisition of the Licenses from Transeuro described in note 5(b)(ii), Transeuro 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 acquired by the Company as described in note 5(b)(ii), the Company has assumed certain financial and work commitments relating to the Licenses as described below:

License	Commitment
PPL 260	Drill one exploration well and conduct geological and geophysical studies by March 13, 2009.
PPL 259	Drill one exploration well and conduct geological and geophysical studies by June 29, 2009.
PPL 257	Drill one exploration well, acquire 1,000 kilometres line 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.
PPL 258	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 has issued bank guarantees totaling approximately $160,000 (100,000 PNG 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.

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11. SEGMENTED INFORMATION

The Company has one reportable business segment, that being oil and gas exploration and development. The Company's operations for the three months ended September 30, 2008 were carried on in the following geographic locations:

	Three months ended September 30, 2008		
	Canada	Papua New Guinea	Consolidated
Total revenues	$ 29,380	$ -	$ 29,380
Expenses	676,520	269,933	946,453
Net loss	$ 647,140	$ 269,933	$ 917,073
Segment assets	$ 3,775,021	$ 29,630,675	$ 33,405,696
Segment petroleum and natural gas properties	$ -	$ 29,675,229	$ 29,675,229
Capital additions	$ 1,346	$ 303,971	$ 305,317

The only segment for the three months ended September 30, 2007 was Canada.