EAGLEWOOD ENERGY INC.
(formerly Surge Resources Inc.)

UNAUDITED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2007

EAGLEWOOD ENERGY INC.

Consolidated Balance Sheets

(Unaudited)

As at		**Dec 31 2007**		June 30 2007
ASSETS				
Current Assets				
Cash	$	**6,791,420**	$	583,276
Accounts receivable		**107,283**		3,891
Prepaid expenses		**25,060**		-
		6,923,763		587,167
Petroleum and natural gas properties (note 5)		**28,934,202**		-
Deferred costs		**-**		128,249
Deferred financing costs		**-**		103,948
	$	**35,857,965**	$	819,364
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	$	**745,845**	$	59,109
Shareholders' Equity				
Share capital (note 6)		**40,771,686**		5,807,409
Contributed surplus (note 6)		**1,349,757**		294,667
Deficit		**(7,009,323)**		(5,341,821)
		35,112,120		760,255
	$	**35,857,965**	$	819,364

See accompanying notes to 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 Income (Loss), Comprehensive Income (Loss) and Deficit (Unaudited)

	For the three months ended		For the six months ended	
	December 31		December 31	
	2007	2006	**2007**	2006
Revenue				
Interest income	**$ 93,567**	$ 7,374	**$ 98,747**	$ 15,309
Expenses				
Bank charges and interest	**1,453**	45	**1,508**	94
Management fees	**30,000**	6,000	**36,000**	12,000
General and administrative	**346,120**	11,059	**355,767**	17,778
Professional fees	**136,054**	14,200	**200,485**	17,423
Public company	**40,591**	3,957	**50,174**	6,934
Consulting	**12,024**	(29,877)	**27,857**	32,753
Stock-based compensation	**918,152**	-	**943,490**	-
Depreciation	**5,043**	-	**5,043**	-
Travel	**126,566**	-	**126,566**	1,992
Other	**9,155**	-	**19,359**	-
	1,625,158	5,384	**1,766,249**	88,974
Net income (loss) and comprehensive income (loss) for the period	**(1,531,591)**	1,990	**(1,667,502)**	(73,665)
Deficit, beginning of period	**(5,477,732)**	(5,259,955)	**(5,341,821)**	(5,184,300)
Deficit, end of period	**$ (7,009,323)**	$ (5,257,965)	**(7,009,323)**	$ (5,257,965)
Net income (loss) per common share - basic and diluted	**$ (0.03)**	$ 0.01	**$ (0.05)**	$ (0.01)
Weighted average common shares - basic and diluted	**57,744,942**	15,744,942	**36,744,942**	15,744,942

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flow
(Unaudited)

	For the three months ended		For the six months ended	
	December 31		December 31	
	2007	2006	**2007**	2006
Cash flows related to the following activities:				
Operating Activities				
Net income (loss)	**$ (1,531,591)**	$ 1,990	$ **(1,667,502)**	$ (73,665)
Items not involving cash:				
Stock-based compensation	**918,152**	-	**943,490**	-
Depreciation	**5,043**	-	**5,043**	-
	(608,396)	1,990	**(718,969)**	(73,665)
Changes in non-cash working capital (note 9)	**139,318**	8,443	**93,474**	(11,783)
	(469,078)	10,433	**(625,495)**	(85,448)
Investing Activities				
Additions to petroleum and natural gas properties	**(3,305,116)**	-	**(3,310,996)**	-
Changes in non-cash working capital (note 9)	**464,810**	-	**464,810**	-
	(2,840,306)	-	**(2,846,186)**	-
Financing Activities				
Issue of common shares, net of issue costs	**9,679,825**	-	**9,679,825**	-
Net increase (decrease) in cash	**6,370,441**	10,433	**6,208,144**	(85,448)
Cash, beginning of period	**420,979**	842,192	**583,276**	938,073
Cash, end of period	**6,791,420**	852,625	**6,791,420**	852,625
Supplementary information:				
Interest received	**$ 22,517**	$ 7,374	**$ 27,696**	$ 15,309
Interest paid	**$ -**	$ -	**$ -**	$ -
Taxes paid	**$ -**	$ -	**$ -**	$ -

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
As at December 31, 2007 and for the three and six month periods ended December 31, 2007 and 2006

1. NATURE OF OPERATIONS

Eaglewood Energy Inc. (collectively with its subsidiary, the "Company" or "Eaglewood") is listed and traded on the TSX Venture Exchange under the trading symbol EWD. The Company is engaged in the business of oil and gas exploration in Papua New Guinea ("PNG"). The Company was formerly named Surge Resources Inc.; the name change was effective October 30, 2007.

The Company requires additional financing in order to fund its future exploration activities. Management intends to raise the required financing through a combination of equity issues, joint venture or farm-out arrangements or by other means.

2. BASIS OF 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. Eaglewood's financial year end is June 30.

The interim consolidated financial statements for the Company have been presented in accordance with accounting principles generally accepted in Canada on the same basis as the annual audited financial statements as at and for the year ended June 30, 2007, except as outlined in this note and in note 3. 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, 2007. The disclosures provided herein do not conform to the financial reporting requirements of annual financial statements.

Oil and Gas Accounting Policies
The Company follows the full cost method of accounting for oil and gas operations whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical expenses, costs of drilling both productive and non-productive wells, related production equipment costs and overhead charges directly related to acquisition, exploration and development activities.

Capitalized costs, excluding costs related to unproven properties, are depleted and depreciated using the unit-of-production method based on estimated proven oil and gas reserves as determined by independent petroleum engineers. Oil and gas reserves are converted to equivalent barrels of oil using a ratio of six thousand cubic feet of gas to one barrel of oil.

Costs of acquiring and evaluating unproven properties are initially excluded from the depletion calculation. The unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

The net amount at which oil and gas interests are carried is subject to a cost recovery test (the "ceiling test"). The ceiling test is a two-stage process which is performed at least annually. The first stage is a recovery test whereby undiscounted estimated future cash flows from proved reserves at oil and gas prices in effect at the balance sheet date plus the cost of unproved properties, less any impairment, is compared to the net book value of the oil and gas interests to determine if the assets are impaired. An impairment loss exists if the net book value of the oil and gas interests exceeds such undiscounted estimated cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured as the amount by which the net book value of the oil and gas interests exceeds the future estimated discounted cash flows from proved plus probable reserves at oil and gas prices in effect at the balance sheet date. Any impairment is recorded as additional depletion cost.

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 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
As at December 31, 2007 and for the three and six month periods ended December 31, 2007 and 2006

3. CHANGES IN ACCOUNTING POLICIES

Financial Instruments – Recognition and Measurement

On July 1, 2007, the Company adopted the CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Presentation and Disclosure*. These sections establish the standards for recognizing and measuring financial instruments in the financial statements. All financial instruments are classified into specific categories: financial assets available-for-sale, assets and liabilities held-for-trading, loans and receivables, investments held-to-maturity and other financial liabilities. Financial instruments are measured at fair value with subsequent measurement based on initial classification. Non-exempt derivative and embedded derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. All changes in their fair value are recorded in net income unless hedge accounting is utilized, which then requires any changes in fair value to be recorded in other comprehensive income until such time as the underlying hedge transaction is recognized in net income. If a hedge ceases to be effective, it is immediately recognized in net income.

As a result of the adoption of these standards, the Company has classified its cash as held-for-trading which is measured at fair value with changes recognized in net income. Goods and services tax receivable is classified as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities, both of which are measured at amortized cost.

The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has maintained its policy not to use hedge accounting.

The carrying value and fair value of financial assets and liabilities as at December 31, 2007 are summarized below:

Classification	Carrying Value	Fair Value
Held-for-trading (Cash)	$6,791,420	$6,791,420
Loans and receivables (Accounts receivable)	107,283	107,283
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (Accounts payable and accrued liabilities)	745,845	745,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
As at December 31, 2007 and for the three and six month periods ended December 31, 2007 and 2006

Comprehensive Income

On July 1, 2007, the Company adopted the CICA Handbook Section 1530, *Comprehensive Income*. This section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity resulting from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in currency translation adjustments and unrealized gains and losses resulting from changes in fair value of certain financial instruments. The adoption of this section requires the Company to present comprehensive income as part of its financial statements.

Equity

On July 1, 2007, the Company adopted the CICA Handbook Section 3251, *Equity*. This section establishes the standards for presentation of equity and recognizing changes in equity occurring in the reporting period as a result of the adoption and application of Section 1530, Comprehensive Income, discussed above.

Accounting Changes

On July 1, 2007, the Company adopted CICA Handbook Section 1506, *Accounting Changes*, the only effect of which is to provide disclosure and the resulting impact to the Company when an entity has not applied a new source of Generally Accepted Accounting Principles ("GAAP") that has been issued but is not yet effective.

This applies to Section 1535, *Capital Disclosure* which is required to be adopted for fiscal years beginning on or after October 1, 2007. Eaglewood intends to adopt these standards on July 1, 2008. This section requires disclosure regarding the Company's definition of capital and its objectives, policies and process for managing capital. In addition, this section requires disclosure as to whether the Company has complied with externally imposed capital requirements. The adoption of this section will have no impact on the amounts that Eaglewood reports in its consolidated financial statements.

This also applies to Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentations* which are required to be adopted for fiscal years beginning on or after October 1, 2007. Eaglewood intends to adopt these standards on July 1, 2008 and it is expected that the only effect on the Company will be additional disclosures regarding the significance of financial instruments for the entity's financial position and performance, and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

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 July 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. The Company does not expect that the adoption of this new section will have a material impact on its consolidated financial statements.

4. ACQUISITIONS

On October 1, 2007 the Company completed an asset purchase agreement with Transeuro Energy Corp. (“Transeuro”). The Company acquired a 100% interest in four exploration prospecting licenses granted by the Government of Papua New Guinea and all related geological, seismic and technical data owned by Transeuro relating to the lands and licenses. As consideration for the asset purchase, the Company issued to Transeuro 30,000,000 common shares of the Company with a deemed price of $0.85 per share for total consideration of $25,500,000.

5. PETROLEUM AND NATURAL GAS PROPERTIES

December 31, 2007:	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	$28,856,945	-	$28,856,945
Office furniture and equipment	82,300	(5,043)	77,257
	$28,939,245	**(5,043)**	**$28,934,202**

June 30, 2007:	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	**$ -**	**-**	**$ -**
Office furniture and equipment	**-**	**-**	**-**
	$ -	**-**	**$ -**

As at December 31, 2007, the cost of the petroleum and natural gas properties includes $28,856,945 (as at June 30, 2007 - $nil) relating to unproved properties which have been excluded from costs subject to depletion and depreciation. The majority of these costs relate to unproved properties acquired as described in note 4.

6. SHARE CAPITAL

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

(b) Common shares issued:

	Number of Shares	Amount
Balance at June 30, 2007	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)
Balance at December 31, 2007	**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 a warrant to purchase 600,000 common shares as described in note 6 (c). The fair value of the warrants 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 pursuant to the Transeuro property acquisition as described in note 4.

(c) Warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price per Share	Expiry Date
Issued pursuant to October 1, 2007 private placement	600,000	$0.85	Sept. 30, 2008

Each warrant issued pursuant to the October 1, 2007 private placement entitles 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 fair value of the warrants was determined to be $111,600 using the Black-Scholes option pricing model based on the following assumptions:

	At October 1, 2007
Expected life of warrants	1 year
Expected volatility	50%
Risk-free rate of return	4.26%
Dividend yield	0%

(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% 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.

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Stock option continuity

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding June 30, 2007	600,000	$0.45	1.98 years
Granted	300,000	$1.35	4.68 years
Outstanding September 30, 2007	900,000	$0.75	2.88 years
Granted	1,950,000	$0.96	4.80 years
Outstanding December 31, 2007	**2,850,000**	**$0.89**	**4.19 years**

The weighted average fair value of the 1,950,000 options granted during the current period is $0.43 per option.

On January 28, 2008, the Company granted an additional 400,000 stock options at an exercise price of $0.72 per common share.

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 six months ended December 31, 2007, compensation expense in the amount of $943,490 (2006 - $nil) has been recorded in the consolidated statement of loss using the Black-Scholes option pricing model based on the following assumptions:

	Six months ended December 31, 2007
Expected life of options	4 years
Expected volatility	52%
Risk-free rate of return	4.27%
Dividend yield	0%

Contributed surplus continuity

Balance June 30, 2007	$ 294,667
Stock-based compensation	943,490
Fair value of warrants	111,600
Balance December 31, 2007	$ 1,349,757

7. FINANCIAL INSTRUMENTS

The Company does not utilize derivative instruments to manage risks. The carrying amounts of financial instruments comprising cash, accounts receivable and accounts payable approximate their fair values due to the immediate or short term nature of these financial instruments.

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 and six months ended December 31, 2007, the related party transactions were as follows:

(a) for the three months ended December 31, 2007, the Company incurred $30,000 (2006 - $6,000) and for the six months ended December 31, 2007 the Company incurred $36,000 (2006 - $12,000) for management services to a company in which a director of Eaglewood has a controlling interest. At December 31, 2007, $nil (2006 - $nil) was included in accounts payable and accrued liabilities.

(b) for the three months ended December 31, 2007, the Company incurred $36,541 (2006 - $3,223) and for the six months ended December 31, 2007 the Company incurred $62,198 (2006 - $14,653) for legal services to a law firm of which a director of Eaglewood is a partner. At December 31, 2007, $7,337 (2006 - $17,314) was included in accounts payable and accrued liabilities.

(c) for the three and six months ended December 31, 2007, the Company paid $2,741,875 (2006 - $nil) to a company with common directors and a common officer. This amount was reimbursement for costs relating to the four prospecting licenses in PNG acquired during the current quarter pursuant to the terms of the asset purchase agreement. At December 31, 2007, $583,673 (2006 - $nil) was included in accounts payable and accrued liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended December 31		Six months ended December 31	
	2007	**2006**	**2007**	**2006**
Provided by (used in):				
Accounts receivable	(100,955)	4,406	(103,392)	1,506
Prepaid expenses	3,439	2,888	(25,060)	-
Accounts payable and accrued liabilities	701,644	1,149	686,736	(13,289)
	604,128	8,443	558,284	(11,783)
Operating	139,318	8,443	93,474	(11,783)
Investing	464,810	-	464,810	-
	604,128	8,443	558,284	(11,783)

10. CONTINGENCIES AND COMMITMENTS

a) On October 1, 2007, the Company acquired a 100% interest in four petroleum prospecting licenses (the "Assets") granted by the Government of Papua New Guinea from Transeuro. Pursuant to the acquisition agreement, Transeuro has the right to acquire a 10 percent interest in all, but not less than all, of the Assets exercisable within 60 days from the date that the Company completes the drilling and testing of a third well on the Assets by paying to the Company 10 percent of all costs incurred in respect of the Assets 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 Assets.

b) Pursuant to the terms of the four exploration prospecting licenses granted by the Government of PNG and acquired by the Company as described in note 4, the Company has assumed certain financial commitments to complete work programs relating to these licenses. Each license has specific work and financial commitments, and certain of these commitments are in arrears. Overall, the minimum financial commitments for the licenses total US $23,800,000, of which approximately US $5.2 million has been spent to date. The total financial commitment is required to be met by October 2008. The Company is currently in the process of reviewing the commitments and preparing its capital program for 2008. In addition, the Company may apply for extensions for certain of the license commitments, and is actively searching for partners to assist with completion of some of the work commitments. The Company has issued guarantees in the amount of PGK 100,000 for each license to secure the capital expenditure requirements associated with the four exploration prospecting licenses.

11. SEGMENTED INFORMATION

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

	Three months ended December 31, 2007		
	Canada	**Papua New Guinea**	**Consolidated**
Total revenues	$ 93,567	$ -	$ 93,567
Expenses	1,277,940	347,218	1,625,158
Net loss	$ 1,184,373	$ 347,218	$ 1,531,591
Segment assets	$ 6,975,338	$ 28,882,627	$ 35,857,965
Segment petroleum and natural gas properties	$ -	$ 28,856,945	$ 28,856,945
Capital additions	$ 76,420	$ 28,856,945	$ 28,933,365

	Six months ended December 31, 2007		
	Canada	**Papua New Guinea**	**Consolidated**
Total revenues	$ 98,747	$ -	$ 98,747
Expenses	1,419,031	347,218	1,766,249
Net loss	$ 1,320,284	$ 347,218	$ 1,667,502
Segment assets	$ 6,975,338	$ 28,882,627	$ 35,857,965
Segment petroleum and natural gas properties	$ -	$ 28,856,945	$ 28,856,945
Capital additions	$ 82,300	$ 28,856,945	$ 28,939,245

	Three months ended December 31, 2006		
	Canada	**Papua New Guinea**	**Consolidated**
Total revenues	$ 7,374	$ -	$ 7,374
Expenses	5,384	-	5,384
Net income	$ 1,990	$ -	$ 1,990
Segment assets	$ 853,260	$ -	$ 853,260
Segment petroleum and natural gas properties	$ -	$ -	$ -
Capital additions	$ -	$ -	$ -

	Six months ended December 31, 2006		
	Canada	**Papua New Guinea**	**Consolidated**
Total revenues	$ 15,309	$ -	$ 15,309
Expenses	88,974	-	88,974
Net loss	$ 73,665	$ -	$ 73,665
Segment assets	$ 853,260	$ -	$ 853,260
Segment petroleum and natural gas properties	$ -	$ -	$ -
Capital additions	$ -	$ -	$ -