

EAGLEWOOD ENERGY INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**AS AT SEPTEMBER 30, 2009 AND FOR THE THREE AND
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008**

**The auditor of Eaglewood Energy Inc. has not performed a review of the
unaudited interim financial statements for the three and nine months
ended September 30, 2009 and 2008.**

EAGLEWOOD ENERGY INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

As at	September 30 2009	December 31 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,629,844	\$ 2,781,985
Accounts receivable	88,429	184,200
	4,718,273	2,966,185
Petroleum and natural gas properties (note 3)	27,459,770	30,063,428
	\$ 32,178,043	\$ 33,029,613
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,245,518	\$ 324,232
Shareholders' Equity		
Share capital (note 4)	40,771,686	40,771,686
Contributed surplus (note 4)	2,415,083	1,953,154
Deficit	(12,254,244)	(10,019,459)
	30,932,525	32,705,381
	\$ 32,178,043	\$ 33,029,613

See accompanying notes to consolidated financial statements

Contingencies and commitments (note 9)

EAGLEWOOD ENERGY INC.

CONSOLIDATED STATEMENTS OF NET LOSS, COMPREHENSIVE LOSS AND DEFICIT

(UNAUDITED)

	For the three months ended September 30 2009		For the nine months ended September 30 2009	
	2009	2008	2009	2008
Revenue				
Interest income	\$ 18	\$ 29,380	\$ 19,112	\$ 125,141
Expenses				
Bank charges and interest	3,888	4,171	9,774	8,172
Management fees	3,000	6,000	9,000	18,000
General and administrative	349,473	364,850	1,168,136	1,176,628
Professional fees	15,599	137,337	77,549	181,101
Public company	20,710	68,263	63,099	108,916
Consulting	3,690	17,625	12,026	31,192
Stock-based compensation	132,509	162,679	461,929	469,991
Depreciation	4,746	3,748	15,058	14,802
Travel	128,668	139,304	305,774	411,517
Other	(253)	4,094	3,727	(14,536)
Foreign exchange loss	155,761	38,382	127,825	71,418
	817,791	946,453	2,253,897	2,477,201
Net loss and comprehensive loss for the period	(817,773)	(917,073)	(2,234,785)	(2,352,060)
Deficit, beginning of period	(11,436,471)	(8,444,310)	(10,019,459)	(7,009,323)
Deficit, end of period	\$ (12,254,244)	\$ (9,361,383)	\$ (12,254,244)	\$ (9,361,383)
Net loss per common share - basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Weighted average common shares - basic and diluted	57,744,942	57,744,942	57,744,942	57,744,942

See accompanying notes to consolidated financial statements

EAGLEWOOD ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(UNAUDITED)

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Cash flows related to the following activities:				
Operating Activities				
Net loss	\$ (817,773)	\$ (917,073)	\$ (2,234,785)	\$ (2,352,060)
Items not involving cash:				
Stock-based compensation	132,509	162,679	461,929	469,991
Depreciation	4,746	3,748	15,058	14,802
	(680,518)	(750,646)	(1,757,798)	(1,867,267)
Changes in non-cash working capital (note 8)	507	(68,789)	(80,425)	(177,423)
	(680,011)	(819,435)	(1,838,223)	(2,044,690)
Investing Activities				
Additions to petroleum and natural gas properties	(1,455,009)	(305,317)	(2,402,309)	(827,930)
Proceeds from farm-out	3,257,807	-	4,990,909	-
Changes in non-cash working capital (note 8)	1,117,471	(129,466)	1,097,482	(343,560)
	2,920,269	(434,783)	3,686,082	(1,171,490)
Net increase/(decrease) in cash	2,240,258	(1,254,218)	1,847,859	(3,216,180)
Cash and cash equivalents, beginning of period	2,389,586	4,829,458	2,781,985	6,791,420
Cash and cash equivalents, end of period	\$ 4,629,844	\$ 3,575,240	\$ 4,629,844	\$ 3,575,240
Cash and cash equivalents is composed of:				
Cash in banks	4,629,844	875,240	4,629,844	875,240
Term deposits	-	2,700,000	-	2,700,000
	\$ 4,629,844	\$ 3,575,240	\$ 4,629,844	\$ 3,575,240
Supplementary information:				
Interest received	\$ 18	\$ 3,833	\$ 19,112	\$ 160,123
Interest paid	\$ -	\$ -	\$ -	\$ -
Taxes paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to consolidated financial statements

EAGLEWOOD ENERGY INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2009 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (UNAUDITED)

The interim consolidated financial statements of Eaglewood Energy Inc. (“Eaglewood” or “the Company”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The interim consolidated financial statements should be read in conjunction with the financial statements and notes thereto in the Company’s Annual Report as at and for the year ended December 31, 2008. The disclosures provided herein do not conform to the financial reporting requirements of annual financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

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’s interim consolidated financial statements have been prepared in accordance with 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 nine months ended September 30, 2009, the Company reported a net loss of approximately \$2,235,000. At September 30, 2009, the Company had an accumulated deficit of approximately \$12.3 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 PNG licenses as described in note 9(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. In April 2009, the Company entered into a farm-out arrangement with Oil Search (PNG) Limited (“OSPNG”) relating to PPL 260. In June 2009, the Company entered into a farm-out arrangement, pending government approval, relating to PPL 259 with Mega Fortune International Limited (“Mega”), a wholly-owned subsidiary of P3 Global Energy (“P3GE”), as described more fully in note 11. Management believes there is the opportunity for the Company to enter into additional farm-out or joint venture arrangements for its other licenses and/or raise equity financing 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2009 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are presented in Canadian dollars and in accordance with GAAP on the same basis as the annual audited consolidated financial statements as at and for the year ended December 31, 2008, except for the following:

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued recommendations relating to the recognition, measurement and disclosure of goodwill and intangible assets in Section 3064. These recommendations are effective for Eaglewood's 2009 reporting and have had no impact on the Company's 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 2010. 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.

At the present time, the impact of the adoption of IFRS on the Company's financial reporting is not determinable.

3. PETROLEUM AND NATURAL GAS PROPERTIES

September 30, 2009:	Accumulated		
	Cost	depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 27,397,426	-	\$ 27,397,426
Office furniture and equipment	100,933	38,589	62,344
	\$ 27,498,359	38,589	\$ 27,459,770

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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

As at September 30, 2009, the cost of the petroleum and natural gas properties includes \$27,397,426 (December 31, 2008 - \$29,990,137) relating to unproved properties which have been excluded from costs subject to depletion and depreciation.

Included in petroleum and natural gas properties is \$414,268 (December 31, 2008 -\$220,372) of capitalized general and administrative expenses related to exploration activities.

4. SHARE CAPITAL

(a) Authorized:

The Company is authorized to issue an unlimited number of common and preferred shares.

(b) Common shares issued:

	September 30, 2009		December 31, 2008	
	Number of Shares	Amount	Number of Shares	Amount
Opening balance	57,744,942	\$ 40,771,686	57,744,942	\$ 40,771,686
Closing balance	57,744,942	\$ 40,771,686	57,744,942	\$ 40,771,686

(c) Warrants outstanding:

	September 30, 2009		December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding beginning of period	-	-	600,000	\$ 0.85
Expired (i)	-	-	(600,000)	\$ 0.85
Outstanding end of period	-	-	-	-

- (i) Pursuant to a private placement which closed in October 2007, 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.

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(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 10 years. The vesting period is determined at the time of grant at the discretion of the Board of Directors.

Stock option continuity

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

	September 30, 2009		December 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding beginning of period	5,775,000	\$ 0.53	3,325,000	\$ 0.86
Granted	100,000	\$ 0.82	2,500,000	\$ 0.10
Cancelled	(400,000)	\$ 1.47	(50,000)	\$ 1.06
Outstanding end of period	5,475,000	\$ 0.51	5,775,000	\$ 0.53
Exercisable, end of period	2,058,334	\$ 0.79	2,116,671	\$ 0.82

The following table summarizes the stock options outstanding at September 30, 2009:

Range of exercise prices	Options outstanding			Options exercisable	
	Number	Weighted average exercise price	Weighted average life (years)	Number	Weighted average exercise price
\$0.10 - \$0.50	3,100,000	\$ 0.17	3.39	675,000	\$ 0.41
\$0.51 - \$1.00	1,325,000	\$ 0.79	3.29	683,332	\$ 0.81
\$1.01 - \$1.35	1,050,000	\$ 1.14	3.04	700,002	\$ 1.14
\$0.10 - \$1.35	5,475,000	\$ 0.51	3.30	2,058,334	\$ 0.79

(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.

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Performance warrants continuity

	September 30, 2009	
	Number of Warrants	Weighted Average Exercise Price
Outstanding beginning of period	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 three and nine months ended September 30, 2009, stock-based compensation in the amount of \$132,509 (three months ended September 30, 2008 - \$162,679) and \$461,929 (nine months ended September 30, 2008 - \$469,991) was recorded in the consolidated statement of loss using the Black-Scholes option pricing model based on the following assumptions:

	Nine months ended	
	September 30, 2009	September 30, 2008
Expected life of stock options	4 years	4 years
Expected life of performance warrants	3 years	-
Expected volatility	50% - 156%	50% - 96%
Risk-free rate of return	2.16% - 4.28%	3.12% - 4.28%
Dividend yield	0%	0%

(g) Contributed surplus continuity

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 1,953,154	\$ 1,657,069
Stock-based compensation	461,929	296,085
Balance, end of period	\$ 2,415,083	\$ 1,953,154

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2009 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (UNAUDITED)

5. 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 September 30, 2009 are summarized below:

Classification	Carrying Value	Fair Value
Held-for-trading (Cash and cash equivalents)	\$ 4,629,844	\$ 4,629,844
Loans and receivables (Accounts receivable)	88,429	88,429
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (Accounts payable and accrued liabilities)	1,245,518	1,245,518

6. CAPITAL MANAGEMENT

The Company's objective when managing its capital structure is to maintain an adequate level 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 fees from farming out its Licenses and 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.

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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, the Company's main focus will be on farm-out or joint venture arrangements as a source of capital to meet its license commitments.

7. 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 nine months ended September 30, 2009, the related party transactions were as follows:

(a) for the three months ended September 30, 2009, the Company paid \$3,000 (2008 - \$6,000) and for the nine months ended September 30, 2009, the Company paid \$9,000 (2008 - \$18,000) 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, 2009, \$nil (2008 - \$nil) was included in accounts payable and accrued liabilities.

(b) for the three months ended September 30, 2009, the Company paid \$11,586 (2008 - \$62,631) and for the nine months ended September 30, 2009, the Company paid \$56,684 (2008 - \$106,202) for legal services to a law firm of which an officer of the Company is a partner. At September 30, 2009, \$3,567 (2008 - \$3,542) was included in accounts payable and accrued liabilities.

(c) for the three months ended September 30, 2009, the Company paid \$nil (2008 - \$22,945) and for the nine months ended September 30, 2009, the Company paid \$nil (2008 - \$551,273) 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 September 30, 2009, \$nil (2008 - \$7,894) was included in accounts payable and accrued liabilities.

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8. SUPPLEMENTARY CASH FLOW INFORMATION

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Provided by (used in):				
Accounts receivable	\$ 7,858	\$ (21,933)	\$ 95,771	\$ 28,170
Prepaid expenses	-	8,994	-	21,047
Accounts payable and accrued liabilities	1,110,120	(185,316)	921,286	(570,200)
	\$ 1,117,978	\$ (198,255)	\$ 1,017,057	\$ (520,983)
Operating	\$ 507	\$ (68,789)	\$ (80,425)	\$ (177,423)
Investing	1,117,471	(129,466)	1,097,482	(343,560)
	\$ 1,117,978	\$ (198,255)	\$ 1,017,057	\$ (520,983)

9. CONTINGENCIES AND COMMITMENTS

- a) Pursuant to the acquisition of a 100 percent 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.

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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
PPL 259	Drill one exploration well and conduct geological and geophysical studies by June 29, 2009. In conjunction with the request for government approval of the PPL 259 farm-out to Mega, the Company has applied for an extension of the work commitment.
PPL 257	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 completed the offshore seismic acquisition program in September 2009 and processing of the data is expected to be completed by the end of December 2009. The Company intends to apply for a retroactive extension of the drilling work commitment which will be subject to government approval.
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 completed the aero-gravity/magnetic survey which was conducted in 2008/2009. The Company intends to apply for a further retroactive deferral of the drilling work commitment which will be subject to government approval.
PPL 260	Drill one exploration well and conduct geological and geophysical studies by March 13, 2009. The Company applied for, and was granted, a one-year deferral of the work commitment until March 13, 2010. Subsequent to the farm-out to OSPNG, the geological and geophysical studies were completed in June 2009. The Company anticipates that an exploration well will be drilled by OSPNG in early 2010.

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 and its partners 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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10. 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:

Three months ended September 30, 2009			
	Canada	Papua New Guinea	Consolidated
Total revenues	\$ 18	\$ -	\$ 18
Expenses	503,251	314,540	817,791
Net loss	\$ 503,233	\$ 314,540	\$ 817,773
Segment assets	\$ 4,671,800	\$ 27,506,243	\$ 32,178,043
Segment petroleum and natural gas properties	\$ 59,707	\$ 27,400,063	\$ 27,459,770
Capital additions	\$ -	\$ 1,455,009	\$ 1,455,009

Nine months ended September 30, 2009			
	Canada	Papua New Guinea	Consolidated
Total revenues	\$ 19,112	\$ -	\$ 19,112
Expenses	1,383,901	869,996	2,253,897
Net loss	\$ 1,364,789	\$ 869,996	\$ 2,234,785
Segment assets	\$ 4,671,800	\$ 27,506,243	\$ 32,178,043
Segment petroleum and natural gas properties	\$ 59,707	\$ 27,400,063	\$ 27,459,770
Capital additions	\$ 1,071	\$ 2,401,238	\$ 2,402,309

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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	\$ <u>647,140</u>	\$ <u>269,933</u>	\$ <u>917,073</u>
Segment assets	\$ <u>3,775,021</u>	\$ <u>29,630,675</u>	\$ <u>33,405,696</u>
Segment petroleum and natural gas properties	\$ <u>72,114</u>	\$ <u>29,675,216</u>	\$ <u>29,747,330</u>
Capital additions	\$ <u>1,346</u>	\$ <u>303,971</u>	\$ <u>305,317</u>

Nine months ended September 30, 2008			
	Canada	Papua New Guinea	Consolidated
Total revenues	\$ 124,273	\$ 868	\$ 125,141
Expenses	1,664,034	813,167	2,477,201
Net loss	\$ <u>1,539,761</u>	\$ <u>812,299</u>	\$ <u>2,352,060</u>
Segment assets	\$ <u>3,775,021</u>	\$ <u>29,630,675</u>	\$ <u>33,405,696</u>
Segment petroleum and natural gas properties	\$ <u>72,114</u>	\$ <u>29,675,216</u>	\$ <u>29,747,330</u>
Capital additions	\$ <u>9,646</u>	\$ <u>818,283</u>	\$ <u>827,929</u>

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11. FARM-OUTS

In April 2009, Eaglewood entered into a farm-out agreement relating to PPL 260 with OSPNG which has been approved by the PNG government. Under the terms of the farm-out agreement, OSPNG paid Eaglewood US \$1,500,000 and conducted the required geological and geophysical studies (the "Seismic Program") at its sole cost to earn a 10 percent interest in PPL 260. Under the agreement, OSPNG had the right to elect to earn an additional 60 percent interest in PPL 260 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. In August 2009, OSPNG elected to drill a well to earn the additional interest. Upon completion of the well, Eaglewood's participating interest in PPL 260 will be 30 percent. OSPNG has assumed operatorship.

In June 2009, Eaglewood entered into a farm-out agreement, pending PNG government approval, relating to PPL 259 with Mega, a wholly-owned subsidiary of P3GE. Under the terms of the farm-out agreement, Mega will earn up to a 65 percent interest in PPL 259 by paying Eaglewood US \$15,000,000 and funding up to US \$20,000,000 of the cost of drilling the first exploration well, Ubuntu-1, by December 31, 2009. The US \$15,000,000 is payable by way of three non-refundable deposits due by October 30, 2009.

Eaglewood will pay a finder's fee of five percent, up to a maximum of US \$3,750,000, based on funds received from Mega under the terms of the PPL 259 farm-out agreement, to Metropower Asia Limited ("Metropower"), a private energy and minerals advisory services company headquartered in Hong Kong. At September 30, 2009, Eaglewood had paid US \$150,000 of the finder's fee to Metropower.

12. SUBSEQUENT EVENTS

On November 2, 2009, Eaglewood announced that it had received a further US \$9,500,000 from Mega related to the non-refundable deposits for the farm-out of PPL 259 (see note 11). An additional US \$500,000 was paid by Mega on November 5, 2009. With the US \$3,000,000 received in September 2009, this brings the total received from Mega to US \$13,000,000. The remaining US \$2,000,000 is expected to be paid by November 21, 2009.

In November 2009, Eaglewood paid Metropower an additional US \$500,000 of the finder's fee relating to the farm-out of PPL 259 as described in note 11.