EAGLEWOOD ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

PRESIDENT'S MESSAGE

The second quarter of 2010 was very active for Eaglewood. The first exploration well, Korka-1, was drilled in PPL 260 and preparations for drilling Ubuntu-1 in PPL 259 were well underway.

The most significant activity during the quarter was the drilling of our first exploration well, Korka-1, on our PPL 260 license in the highlands region. In 2009, Eaglewood had farmed-out a 70 per cent interest in PPL 260 to Oil Search who also assumed operatorship. Oil Search's drilling operations proceeded ahead of schedule and under budget but unfortunately the well was not a discovery and was plugged and abandoned. While looking extremely good on seismic, and drilling into excellent reservoir sands in the target zone, it was found that there was insufficient seal. Hydrocarbons that had been in the area had been swept away and the reservoir was filled with water. The well cost was approximately US $55 million, about $2 million under budget. The net cost to Eaglewood was approximately US $6.4 million. Despite Korka-1 being unsuccessful, the PPL 260 license remains very prospective. Additional seismic is needed to better define additional drilling locations. We would expect to reduce our current 30 per cent interest through a further farm-out to assist in funding a second well.

Throughout the second quarter, we were very busy preparing to drill the first well, Ubuntu-1, in PPL 259 in the forelands region which is now expected to spud in October. Eaglewood currently holds a 90 percent interest in PPL 259 and is the operator. However, we expect to reduce our interest in PPL 259 through a farm-out prior to spudding Ubuntu-1. We have also identified a second drilling location, Herea-1, to be drilled in early 2011. We have secured a drilling rig to drill the two wells in PPL 259, with an option for a third well. We are also in the process of building a wharf and preparing our staging area for operations of the PPL 259 license. We estimate that the gross cost of Ubuntu-1 will be approximately US $20 million and that it will take about two months to drill.

For the other two licenses, PPL 257 and 258, we continue our technical work and have prepared a virtual data room to assist in our efforts to farm-out interests in both these licenses.

As always we thank our shareholders for their support as we move into the most active quarters in Eaglewood's history.

Brad Hurtubise
President and CEO

EAGLEWOOD ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2010

(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 consolidated financial statements for the three and six months ended June 30, 2010 and 2009 and related notes therein prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is August 18, 2010.

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 in a timely manner and 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;
- unpredictable weather conditions; and
- other factors referred to under "Risk Factors" in the Company's annual information form for the year ended December 31, 2009, dated March 29, 2010 and filed on SEDAR on March 30, 2010.

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 an international, junior oil and gas company which trades on the TSX Venture Exchange (trading symbol "EWD"). The Company's primary activity is exploration and development of its four petroleum prospecting licenses located in Papua New Guinea (the "PNG Licenses") which were acquired in October 2007. The Company has no oil and gas properties other than the PNG Licenses. Currently there is no production or reserves associated with the PNG Licenses.

The Company drilled its first exploration well, Korka-1, in PPL 260 in the second quarter of 2010 which was unsuccessful in locating hydrocarbons. The Company expects to spud its second exploration well, Ubuntu-1, in PPL 259 in the fourth quarter of 2010.

DESCRIPTION OF PNG LICENSES AND COMMITMENTS

Each of the PNG 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.

PPL 259

Originally granted on June 30, 2005, PPL 259 has a six year term that expires June 29, 2011. It covers 1,377,000 gross acres, all onshore, in the foreland region of the Papuan Fold Belt of PNG. PPL 259 is an anticipated natural gas and natural gas liquids play for the Company. The Company has a 90 percent participating interest in PPL 259. A 10 percent participating interest was farmed-out to Mega Fortune International in 2009.

There was a commitment to drill one exploration well by June 29, 2009. On February 3, 2010, the Company applied for an extension to the drilling work commitment to September 2010 which is subject to PNG government approval. The PNG Department of Petroleum and Energy has verbally agreed to the extension to the drilling commitment and the Company is awaiting formal notification of the approval. Pre-drilling preparations are well underway for the exploration well and the Company intends to commence drilling in the fourth quarter of 2010. The estimated gross cost of the well is approximately US $20,000,000 (net cost to the Company approximately US $18,000,000).

PPL 260

Originally granted on March 14, 2005, PPL 260 has a six year term that expires March 13, 2011. It covers 1,559,250 gross acres, all onshore, in the highland region of the Papuan Fold Belt of PNG. PPL 260 is an anticipated natural gas and natural gas liquids play for the Company. The Company has a 30 percent participating interest in PPL 260. In 2009, the Company farmed-out a 70 percent participating interest to Oil Search (PNG) Ltd. (“OSPNG”). OSPNG assumed operatorship in 2009.

There was a commitment to drill one exploration well by March 13, 2010. Pre-drilling activities for the first exploration well, Korka-1, began in March and drilling was underway during April 2010. Unfortunately, the exploration well encountered no hydrocarbons and was plugged and abandoned. The gross cost of the exploration well was approximately US $55,000,000 (net cost to the Company estimated at approximately US $6,400,000). Location and timing decisions for a second exploration well is being evaluated.

PPL 257

Originally granted on October 20, 2004, PPL 257 has a six year term that expires October 19, 2010. PPL 257 currently 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. PPL 257 is an anticipated natural gas play for the Company. The Company holds a 100 percent participating interest in PPL 257. There was a commitment to drill one exploration well by October 20, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $60,000,000.

On March 18, 2010, the Company submitted a request for a five year extension to the license upon its expiry in October 2010 which is subject to PNG government approval. In accordance with the terms of the license extension, the Company will relinquish 50 percent of the area for PPL 257 when the extension is approved by the PNG government. The area to be relinquished was determined by the Company after an extensive review of seismic and aero/gravity magnetic surveys done on the license.

PPL 258

Originally granted on October 20, 2004, PPL 258 has a six year term that expires October 19, 2010. PPL 258 currently covers 2,227,500 gross acres, all onshore, in the North New Guinea Basin of PNG. PPL 258 is an anticipated oil play for the Company. The Company holds a 100 percent participating interest in PPL 258. There was a commitment to drill one exploration well by October 20, 2009. The Company estimates that the cost of drilling one exploration well is approximately US $30,000,000.

On March 18, 2010, the Company submitted a request for a five year extension to the license upon its expiry in October 2010 which is subject to PNG government approval. In accordance with the terms of the license extension, the Company will relinquish 50 percent of the area for PPL 258 when the extension is approved by the PNG government. The area to be relinquished was determined by the Company after an extensive review of seismic and aero/gravity magnetic surveys done on the license.

The PNG government retains the right to back-in for up to a 22.5 percent interest 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 PNG Licenses.

Pursuant to the acquisition of the PNG Licenses, the Company granted the vendor the right to acquire a 10 percent interest in all, but not less than all, of the PNG Licenses, exercisable within 60 days from the date which the Company completes the drilling and testing of a third well on the PNG Licenses by paying to the Company 10 percent of all costs incurred in respect of the PNG 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 PNG Licenses.

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 PNG Licenses. If the Company does not fulfill its commitments under a PNG License and has not applied for and been granted an extension, it could potentially lose its guarantee and the applicable PNG 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 for the PNG Licenses. In March 2010, the Company closed a private placement for net proceeds of approximately $22.3 million. The Company anticipates that the drilling commitment for PPL 259 will be met within the pending revised time period and is in active discussions with potential farm-out partners to meet the PPL 257 and 258 commitments.

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)	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sep 30 2009	Jun 30 2009	Mar 31 2009	Dec 31 2008	Sep 30 2008
Revenue	16	6	2	-	5	14	22	29
Loss before discontinued operations	104	1,276	1,311	818	716	701	652	923
Net loss	104	1,276	1,311	818	716	701	652	923
Loss per share before discontinued operations	0.01	0.02	0.03	0.01	0.01	0.01	0.01	0.02
Total loss per share	0.01	0.02	0.03	0.01	0.01	0.01	0.01	0.02
Total assets	53,213	52,021	30,488	32,178	31,753	32,416	33,030	33,406

- The Company currently has no oil or gas production to offset its expenses. The Company's expenses are described more fully in RESULTS OF OPERATIONS.
- The Company's main assets are petroleum and natural gas properties and cash.
- The increase in assets for the quarter ended March 31, 2010 is mainly the result of the Company's private placement offering. The Company received net proceeds of $22.3 million and issued 13,500,000 common shares.

RESULTS OF OPERATIONS

The Company had net losses of $104,486 and $1,380,646 for the three and six months ended June 30, 2010 compared to net losses of $716,347 and $1,417,012 for the three and six months ended June 30, 2009.

Total expenses for the three and six months ended June 30, 2010 were $120,862 and $1,402,726 compared to $721,284 and $1,436,106 for the three and six months ended June 30, 2009. Excluding the foreign exchange gains, the total expenses for the three and six months ended June 30, 2010 were $973,368 and $1,902,153 compared to $755,157 and $1,464,042 for the three and six months ended June 30, 2009.

The Company's most significant expenses, excluding the foreign exchange gains, were as follows:

	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
General and administrative	**$ 453,557**	$ 396,112	**$ 912,841**	$ 818,663
Public company	**25,280**	21,954	**137,177**	42,389
Stock-based compensation	**286,246**	156,071	**532,777**	329,420
Travel	**129,759**	124,564	**189,263**	177,106
Professional fees	**48,275**	41,051	**80,227**	61,950
	$ 943,117	$ 739,752	**$ 1,852,285**	$ 1,429,528

The following table provides a breakdown of the Company's general and administrative ("G&A") expenses by material component:

	Three months ended June 30		Six months ended June 30	
	2010	2009	**2010**	2009
Salaries & wages	**$ 329,211**	$ 308,531	**$ 697,590**	$ 635,179
Office costs	**125,534**	48,013	**185,423**	108,513
Office rent	**39,938**	30,455	**67,492**	62,068
Other general and administrative	**4,851**	9,113	**8,313**	12,903
Overhead recoveries	**(45,977)**	-	**(45,977)**	-
	$ 453,557	$ 396,112	**$ 912,841**	$ 818,663

The G&A expenses for the three and six months ended June 30, 2010 are approximately $57,000 and $94,000 higher than the expenses for the three and six months ended June 30, 2009. Salary increases in 2010 account for the majority of the salary and wages increase. Office costs increased mainly due to increased communications costs and the set up of the new Australia office premises. Office rent is slightly higher than the prior year while other G&A has decreased. G&A recoveries relate to costs that are being recovered from the joint venture partner in PPL 259 in accordance with the joint operating agreement.

Public company expenses for the six months ended June 30, 2010 were approximately $95,000 higher in comparison to the six months ended June 30, 2009. The majority of this increase was due to filing fees relating to the private placement equity offering and short form prospectus during the first quarter of 2010.

For the three and six month periods ended June 30, 2010, stock-based compensation increased approximately $130,000 and $204,000 in comparison to the same periods in 2009. The increases are the result of additional stock option grants in the fourth quarter of 2009 and second quarter of 2010.

Travel expenses for the three and six month periods ended June 30, 2010, were comparable to the same periods in 2009. Travel to the technical office in Australia and site visits to Papua New Guinea are integral to the Company's operations.

Professional fees for the three and six month periods ended June 30, 2010 were approximately $7,000 and $19,000 higher than the same periods in 2009. Professional fees predominantly relate to legal fees relating to general corporate matters. In 2010, the Company has incurred some additional fees including approximately $8,000 relating to overseas tax filings and approximately $4,000 relating to the new office premises in Australia.

FINANCIAL CONDITION

At June 30, 2010, the Company had total assets of $53,213,703 compared to $30,488,516 at December 31, 2009. The increase in assets was mainly due to the net proceeds of $22.3 million from the private placement equity offering which closed in March 2010.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2010, the Company had net working capital of $23,451,940 compared to net working capital of $13,593,265 at December 31, 2009. The increase in working capital is mainly due to the net proceeds received from the private placement equity offering which closed in March 2010.

Funds provided by operations were $140,348 for the three months ended June 30, 2010 compared to funds used in operations of $523,787 for the three months ended June 30, 2009. The increase in funds from operations for the three months ended June 30, 2010 is mainly a result of the lower operating loss. Funds used in operations for the six months ended June 30, 2010 were $827,528 compared to $1,158,212 for the six months ended June 30, 2009.

Funds used in investing activities for the three and six months ended June 30, 2010 were $9,589,953 and $11,041,618. In comparison, for the three and six months ended June 30, 2009, funds provided by investing activities were $920,165 and $765,813. In 2009, the Company received proceeds from farming out a portion of its interests in PPL 260 which offset its capital expenditures. During the first half of 2010, a significant amount of the capital expenditures relate to the drilling of Korka-1 in PPL 260 and the pre-drilling activities for Ubuntu-1 in PPL 259. Total capital expenditures on the exploration licenses for the six months ended June 30, 2010 was approximately $11.7 million.

A summary of capital expenditures for the first six months of 2010 is provided below.

PPL 260 – Korka-1 exploration well	$	5,046,650
PPL 259 – Ubuntu-1 exploration well – pre-drilling costs		3,340,461
PPL 259 – FEED study		2,483,478
PPL 260 – operator overhead		406,433
Overhead		183,480
PPL 259 - seismic interpretation		123,285
Other		83,604
Total capital expenditures for the six months ended June 30, 2010	**$**	**11,667,391**

Funds used in financing activities for the three months ended June 30, 2010 were $162,258 compared to $nil for the three months ended June 30, 2009. Funds provided by financing activities were $22,512,471 for the six months ended June 30, 2010 compared to nil for the six

months ended June 30, 2009. The funds from financing activities were mainly the net proceeds of $22,268,012 from the private placement equity offering.

Contributed surplus at June 30, 2010 increased $397,861 over December 31, 2009. The increase is due to the stock-based compensation expense of $532,777 for the six months ended June 30, 2010 offset by transfers of $134,916 to share capital upon exercise of stock options.

The Company does not currently generate sufficient cash flow from its operating activities to fund its activities and has relied upon fees from farm-outs and 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 PNG Licenses within the next twelve months to meet its exploration commitments and working capital requirements. In March 2010, the Company closed a private placement equity offering for net proceeds of approximately $22.3 million. Management believes there is the opportunity for the Company to enter into farm-out or joint venture arrangements and/or raise further equity in 2010 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.

2010 WORK PROGRAM AND OUTLOOK

The Company's 2010 work program is primarily based on meeting its PNG License commitments which includes the drilling of exploration wells in PPL 259 and 260 (the latter of which has been completed). The Company has additional capital expenditures planned for PPL 259 which includes a seismic program and a second exploration well. However, as the Company does not currently have sufficient working capital available to meet its entire planned 2010 capital program, the Company is in discussions with industry partners to enter into further joint venture or farm-out arrangements in the PNG Licenses and may consider additional equity financing.

For PPL 259, the Company has applied to the PNG government for an extension to its drilling work commitment to September 2010. The Company currently plans to drill two exploration wells in PPL 259 and pre-drilling activities for the first well, Ubuntu-1, are well underway. Ubuntu-1 had an estimated spud date of August 2010 but weather has delayed the mobilization of the drilling rig and the spud date is now estimated for October. The gross cost of drilling Ubuntu-1 is estimated at approximately US $20,000,000 (net cost to the Company approximately US $18,000,000). The second planned exploration well, Herea-1, in PPL 259 has an estimated spud date of late December 2010 or early January 2011 and an estimated gross cost of US $19,000,000 (net cost to the Company approximately US $17,100,000). The Company has secured the drilling rig for Ubuntu-1 and Herea-1 and has an option to retain the rig for a third well. The Company is currently seeking additional farm-out or joint venture partners to reduce its net interest and its share of costs in PPL 259.

The Company plans to shoot additional seismic in PPL 259 during the latter part of 2010 at an estimated gross cost of US $5,800,000 (net cost to the Company approximately US $5,220,000). The seismic will be used to firm up prospects and leads on the license and will provide valuable information to assist the Company in determining the acreage to be relinquished in June 2011 when an extension to the license will be requested. The Company has also commissioned a front end engineering ("FEED") study for the rapid commercialization of PPL 259 via condensate stripping followed by a small scale liquefied natural gas project. The estimated gross cost of the FEED study is US $4,050,000 (net cost to the Company approximately US $3,645,000).

For PPL 257 and 258, the Company has applied to the PNG government for a five-year extension to each of the licenses upon their expiry in October 2010. The Company also continues to discuss farm-out/joint venture arrangements with financially capable partners for these licenses. The Company currently does not estimate any significant work in either PPL 257 or 258 during the remainder of 2010.

During the second quarter of 2010, the first exploration well, Korka-1, was drilled in PPL 260. Unfortunately, the well did not encounter hydrocarbons and was plugged and abandoned. The Company estimates the gross cost of drilling Korka-1 was approximately US $55,000,000 (net cost to the Company approximately US $6,400,000). The operator, Oil Search (PNG) Ltd., is currently reviewing location and timing for a second well. However, the Company does not anticipate a second well will be drilled during 2010.

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 March 29, 2010 which is available on SEDAR at www.sedar.com.

OUTSTANDING SHARE DATA

As at August 18, 2010, the Company had 72,638,942 common shares outstanding and 5,406,000 stock options outstanding under its stock option plan. The Company also had 8,000,000 performance warrants outstanding.

RELATED PARTY TRANSACTIONS

For the three and six months ended June 30, 2010, the Company paid $30,223 and $108,632 for legal services to a firm of which an officer of the Company is a partner.

For the three and six months ended June 30, 2010, the Company paid $3,000 and $6,000 in management fees to a company controlled by a director. These fees were paid for administrative services which were provided by the director.

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Eaglewood will transition to IFRS effective January 1, 2011 and intends to issue its first interim financial statements for the period ending March 31, 2011. The Company has developed a project plan for the transition to IFRS which includes the following three phases:

- *Diagnostic phase* which includes the identification of significant differences between IFRS and Canadian GAAP at a high level as relevant to the Company;
- *Detailed assessment and design phase* which includes:
    - the identification, evaluation and selection of accounting policies necessary for the Company to transition to IFRS;
    - the assessment of IFRS 1, *First-Time Adoption of IFRS*, elections;
    - the identification of any business impacts resulting from the identified accounting differences; and
    - training analysis and information systems analysis.
- *Implementation phase* which includes implementing all of the required changes necessary for IFRS compliance.

Diagnostic Phase

During the fourth quarter of 2009, the Company completed its initial diagnostic phase to identify differences between IFRS and Canadian GAAP. This diagnostic indicated that the areas of accounting difference of the highest potential impact to the Company include property, plant and equipment, impairment of assets, the requirements of IFRS 1 dealing with first time adoption choices and presentations and disclosures. There are other areas of IFRS that will impact the Company but to a lesser extent.

Under IFRS 1, the Company will have the option to value the property, plant and equipment assets at their deemed cost, that being the Canadian GAAP net book value assigned to these assets at the date of transition, providing that all assets are tested for impairment on adoption. Eaglewood expects that it will use this option.

Upon transition to IFRS, the Company will be required to re-classify its exploration and evaluation ("E&E") expenditures that are currently included in property, plant and equipment on the consolidated balance sheet. This will include the book value for the PNG Licenses that relate to exploration. E&E assets may not be depleted and must be assessed for impairment when indicators suggest the possibility of impairment.

Detailed Assessment and Design Phase
The Company has begun the second phase which is expected to be completed by the end of the third quarter of 2010. The Company is currently analyzing accounting policy alternatives for the areas of greatest potential impact to the Company's consolidated financial statements. At this time the Company does not anticipate that the transition to IFRS will have a significant impact on its information systems or internal controls. The process of training key accounting personnel will continue throughout 2010. IFRS training has included external workshops and seminars specific to the oil and gas industry.

Implementation Phase
The Company anticipates the implementation phase will be conducted during the fourth quarter of 2010.

The Company is monitoring the IASB's active projects and any changes to IFRS prior to January 1, 2011 will be addressed as required. At this time, the impact of the transition to IFRS on the Company's consolidated financial statements cannot be reasonably determined.

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 is presented below.

	Three months ended June 30		**Six months ended June 30**	
	2010	2009	**2010**	2009
General and administrative:				
Salaries & wages	**$ 329,211**	$ 308,531	**$ 697,590**	$ 635,179
Office costs	**125,534**	48,013	**185,423**	108,513
Office rent	**39,938**	30,455	**67,492**	62,068
Other general and administrative	**4,851**	9,113	**8,313**	12,903
Overhead recoveries	**(45,977)**	-	**(45,977)**	-
Total general and administrative	**$ 453,557**	$ 396,112	**$ 912,841**	$ 818,663
Capitalized exploration and development costs	**$10,044,174**	$ 743,032	**$11,640,237**	$ 943,189