Eaglewood Energy Inc.
Management's discussion and analysis
For the three and nine months ended September 30, 2011 and 2010

CHIEF EXECUTIVE'S MESSAGE

The Company's third quarter, like the second quarter was relatively quiet on the operations front as we were focused on acquiring the necessary regulatory approvals to formally extend our licenses. Although changes in the PNG political landscape during the second and third quarter caused the approval process to drag on more slowly than usual, I am happy to report that we did receive the instruments formally extending for another five years our Petroleum Prospecting License ("PPL") 259 on September 29 and PPL 260 on November 3. Having the extension of PPL 260 allowed us to monetise that license on November 14, selling 20% of our 30% interest for USD $7 million, and an option to sell the remaining 10% for an additional USD $3.5 million. This transaction provides cash to re-deploy in PPL 259.

On November 22 the Minister for Petroleum and Energy (the "Minister") offered us the extension of PPL 257, which we have accepted and are awaiting the signature on the formal instruments granting us the license extension. The final item awaiting regulatory approval is the formal award of Petroleum Retention License ("PRL") status to the two blocks containing the Ubuntu discovery which will become PRL 28. As with PPL 257, on November 22 the Minister offered us PRL 28, which we have accepted. Once we receive the official instruments validating our license status and reflecting the interests of the other joint venture partners, we will be in a position to complete farmouts with industry parties to further the exploration of those licenses.

With the PPL 259 extension awarded, the seismic acquisition program over the Ubuntu discovery will be completed prior to year end. Additional information will be available from the activities other operators are conducting on their nearby PRL 21. The Elevala-2 well on their PRL 21 is currently being drilled, and Ketu-2, on that same license, will spud early in the New Year. Both these wells are close to our PRL 28. This information will assist us in better determining the resource potential and development options for the Ubuntu discovery.

We plan to initiate a seismic program in the first quarter of 2012 to locate one or two drilling locations on our prospects in the western half of PPL 259, and also to provide information to assist in the negotiation of the unitisation of part of our PPL 259 license with PRL 4, which contains the Stanley discovery.

We look forward to a much more active operations schedule in 2012, and as always, we thank all our shareholders for their support and patience through this challenging year.

Brad Hurtubise
Chief Executive Officer

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 nine months ended September 30, 2011 and 2010 and related notes therein prepared in accordance with International Financial Reporting Standards. The effective date of this MD&A is November 24, 2011.

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, 2010, dated April 14, 2010 and filed on SEDAR on April 19, 2011.

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.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Eaglewood's interim consolidated financial statements and the financial data included in the interim MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective or available for early adoption by the Company as at December 31, 2011, the date of the Company's first annual reporting under IFRS. The adoption of IFRs does not impact the underlying economics of Eaglewood's operations or its cash flows.

Note 16 to the Company's interim consolidated financial statements contains a detailed description of the Company's adoption of IFRS, including a reconciliation of the consolidated financial statements previously prepared under Canadian GAAP to those under IFRS for the following:

- The Consolidated Balance Sheet at January 1, 2010 and at December 31, 2010; and
- The Consolidated Statement of Loss and Comprehensive Loss for the three and nine month periods ended September 30, 2010 and the year ended December 31, 2010.

The most significant impacts of the adoption of IFRS, together with details of the IFRS 1 exemptions taken, are described in the IFRS FIRST TIME ADOPTION section of this interim MD&A.

Comparative information has been restated to comply with IFRS requirements, unless otherwise indicated.

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 three remaining 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.

EVENTS IN Q3:2011

In September 2011, a five-year extension to PPL 259 was granted. Within the first two years from the date of grant of this extension, the Company must, at a cost of not less than US$26,000,000 acquire 100km of 2D seismic, drill one exploration well, and conduct geological and geophysical studies. Prior to the beginning of the third year of the extension, the Company must submit and have approved by the Minister, the work program for the remaining three years of the extension which must include drilling an appraisal well or another exploration well. In August 2011, the Minister also approved the variation to the license which replaced the requirement to drill an appraisal well, with the acquisition of 20km of seismic and additional geological and geophysical studies.

SUBSEQUENT EVENTS

In October 2011, the operator of PPL 260, received the final instrument, duly executed by the Minister for Petroleum and Energy granting the extension of the PPL 260 license in the highlands of Papua New Guinea ('PNG"). The license, of which Eaglewood has a 10% interest (see subsequent event below), has been extended for a further five years.

On November 11, 2011, the Company executed an agreement to sell 20% of its 30% equity interest in PPL 260. Eaglewood has also granted an option for the sale of its remaining 10% interest subject to certain conditions. The purchase price for the 20% interest is USD $7M, with USD $2.1M payable on execution of the agreement and the remaining USD $4.9M payable when the purchaser's interest is registered on the license, which is expected to occur prior to year end. The option granted to purchase the remaining 10% interest in PPL 260 for USD $3.5M is subject to the expiry or waiver of an option previously granted on the license. The previously granted option is not expected to expire until the third quarter of 2012. The transaction is conditional upon the waiver of pre-emptive rights and receipt of all necessary regulatory approvals.

On November 22, 2011, the Company received an offer for a five extension of the PPL 257 license. Eaglewood has a 100% interest in this license.

On November 22, 2011, the Company received an offer for a Petroleum Retention License ("PRL") for the Ubuntu prospect of PPL 259. This PRL will be known as PRL 28 and is offered for five years. Eaglewood has a 40% interest in this license.

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

In September 2011, a five-year extension to PPL 259 was granted. Within the first two years from the date of grant of this extension, the Company must, at a cost of not less than US$26,000,000 acquire 100km of 2D seismic, drill one exploration well, and conduct geological and geophysical studies. Prior to the beginning of the third year of the extension, the Company must submit and have approved by the Minister, the work program for the remaining three years of the extension which must include drilling an appraisal well or another exploration well. In August 2011, the Minister also approved the variation to the license which replaced the requirement to drill an appraisal well, with the acquisition of 20km of seismic and additional geological and geophysical studies.

PRL 28

A Petroleum Retention License (PRL) has been offered and accepted for the two graticular blocks comprising the Ubuntu prospect of PPL 259. The extension will be granted for five years and during this period, the Company must undertake marketing studies with analysis of future hydrocarbon commercialization scenarios for the Ubuntu static gas and gas condensate resource; undertake technical studies to (i) re-map and assess the reserves of the Ubuntu feature, focusing on an integration of the Ubuntu seismic; (ii) determine the potential for an integrated development with other nearby fields; (iii) deliver gas and/or condensate to local markets; (iv) identify landowners and required social mapping; and (v) address other commercialization opportunities for gas/condensate. The cost of the above work is to be not less than US$350,000. Contingent on the conclusions reached on the above items and if the market warrants, the Company must then undertake engineering studies aimed at appraisal and development of gas and/or condensate delivery; perform a conventional or extended well test on Ubuntu-1; consider drilling an appraisal or development well; and undertake commercial negotiation of gas and/or condensate contracts.

PPL 260

A five-year extension to PPL 260 was granted. During the first two years of the extension, at a cost of not less than US$1,000,000 the following work must be undertaken: field mapping to mature and de-risk leads; generation and modeling of structural cross sections; geological and geophysical studies; and generation of a Prospects and Leads inventory. Prior to the beginning of the third year of the extension, the Operator must submit and have approved by the Minister, the work program for the three remaining years of the extension which must include acquisition of 20km of 2D seismic; seismic processing and interpretation; and an update of the Prospects and Leads inventory. Following this work, and if a suitable prospect is identified, work must commence on a well proposal and the drilling of one exploration well, otherwise prepare a final permit prospectivity report.

PPL 257

On November 22, 2011, a five year extension to PPL 257 was offered. During the first two years of the extension, the Company must, at a cost of not less than US$500,000 integrate recently completed studies; conduct further field studies as deemed necessary; integrate seismic interpretation and structural studies; and continue farm-out talks. Prior to the beginning of the third year of the extension, the Company must submit and have approved by the Minister, the work program for the remaining three years of the extension which must include drilling one exploration well at a cost of not less than $US40,000,000, conduct post well studies and comprehensive license review at a cost of not less than $US500,000; and provide particulars of the financial resources available to the Company to carry out the forgoing work program.

PPL 258

Originally granted on October 20, 2004, PPL 258 had an initial six year term that was due to expire on October 19, 2010. On March 18, 2010, the Company submitted a request for a five year extension of the license upon its expiry in October 2010. Under the PNG Oil and Gas Act, the license is deemed to still be in effect while the Company awaits review of its extension request by the Minister. The PAB deliberated on the extension application but did not make a recommendation on extension of the license. Final approval/denial was left to the discretion of the Energy Minister, which has not been received to date. Based on the lack of a positive recommendation from the PAB, the Company decided to impair this asset.

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 original 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 gross expendituresincurred 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. Management

estimates that this option will be exercisable in Q4 2012, at which time the exercise price will be approximately US $17 million.

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.

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)	**Sep 30 2011**	**Jun 30 2011**	**Mar 31 2011**	**Dec 31 2010**	**Sep 30 2010**	**Jun 30 2010**	**Mar 31 2010**	**Dec 31 2009[(1)]**
Revenue	-	-	-	-	-	-	-	2
Loss before discontinued operations	983	2,577	632	347	799	886	101	1,311
Net loss	983	2,577	632	347	799	886	101	1,311
Loss per share before discontinued operations	0.01	0.03	0.01	0.01	0.01	0.01	0.01	0.03
Total loss per share	0.01	0.03	0.01	0.01	0.01	0.01	0.01	0.03
Total assets	62,828	62,202	66,585	72,202	56,900	55,714	53,790	30,488

(1) As the Company's transition date was January 1, 2010, the quarterly financial information for 2009 has not been restated.

- 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.

RESULTS OF OPERATIONS

The Company had a net loss of $983,429 and $4,191,736 for the three and nine months ended September 30, 2011 compared to a net loss of $799,491 and $1,786,807 for the three and nine months ended September 30, 2010.

Total expenses from operating activities for the three and nine months ended September 30, 2011 were $852,233 and $3,962,065 compared to $926,003 and $2,807,360 for the three and nine months ended September 30, 2010.

For the nine months ended September 30, 2011 the Company recorded an impairment expense of $1,402,317 (September 30, 2010 – nil), related to PPL 258. On March 18, 2010, the Company submitted a request for a five year extension of the license upon its expiry in October 2010. The PAB deliberated on the extension application but did not make a recommendation on extension of the license. Final approval/denial was left to the discretion of the Energy Minister, which has not been received to date. Based on the time elapsed without a decision, the Company decided to impair this asset.

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
Salaries & wages	**$388,535**	$ 334,336	**$ 1,081,673**	$ 1,031,926
Stock based compensation	**180,057**	313,347	**709,915**	831,689
Travel & accommodation	**73,108**	78,294	**248,145**	267,557
Office costs	**58,815**	66,767	**206,085**	230,030
Professional fees	**33,237**	38,326	**197,754**	118,553
Public company	**18,867**	18,900	**111,182**	156,077
Office rent	**30,671**	34,124	**76,666**	101,616
Consulting	**21,472**	16,128	**37,970**	42,494
Other general and administrative	**7,109**	43,068	**70,185**	79,755
Overhead recoveries	**(543)**	(36,522)	**(299,619)**	(82,499)
	$ 811,328	$ 906,768	**$ 2,439,956**	$ 2,777,198

The G&A expenses for the nine months ended September 30, 2011 are approximately $337,000 lower than the expenses for the nine months ended September 30, 2010. For the three months ended September 30, 2011, the G&A expenses are approximately $95,000 lower than for the same period in 2010.

For the nine months ended September 30, 2011, salaries and wages were $50,000 higher than in 2010. The salary and wages for the Port Moresby office increased by $80,000 over the previous year. In February 2011, the Company hired an accountant in the PNG office to manage the increased activities in PNG. In addition, salary increases were given to all PNG staff in 2011 due to the increased cost of living in Port Moresby. These increases were partially offset by reduced staffing costs in Head Office.

Professional fees for the nine months ended September 30, 2011 are $79,000 higher than for the nine months ended September 30, 2010. This increase in fees is related to the transition to IFRS effective January 1, 2011.

In all other G&A categories, the costs for the nine months ended September 30, 2011 were lower than for the same period in 2010.

For the nine months ended September 30, 2011, overhead recoveries were approximately $217,000 higher than for the nine months ended September 30, 2011. Overhead recoveries are a function of joint operations. Pursuant to the Joint Operating Agreement for PPL 259, Company recovers a percentage of the capital expenditures as compensation for the indirect services provided to the Joint Venture. Due to drilling activities in Q1:2011, for the nine months ended September 30, 2011 overhead recoveries were much higher than for the same period in 2010. For the three months ended September, 2011, the Company's overhead recoveries were $36,000 lower than the same period in 2010, as in 2011 we have reached the maximum allowed in the Ubuntu Joint Venture, so only a minor amount was recovered for the PPL 259 Joint Venture in the third quarter.
Stock based compensation for the nine months ended September 30, 2011 is approximately $121,000 lower than for the prior year, as fewer options are vesting during or after 2011 than were vested in 2010.

Public company costs for the nine months ended September 30, 2011 are approximately $45,000 lower for the same period in 2010. In March 2010, the Company incurred approximately $70,000 in costs for the filing of a short-form prospectus, which was not repeated in 2011. This savings was offset by increased costs in 2011, when compared to 2010, for news releases, printing related to the AGM, and directors fees.

Office costs and office rent for the nine months ended September 30, 2011 are $48,000 lower than the prior year. In 2010, the Australian office moved into a new space and incurred costs related to the set up of the office which were not required to be incurred in 2011. In addition, office rent in all three offices is down compared to the prior year due to new office space or renewed leases.

FINANCIAL CONDITION

At September 30, 2011, the Company had total assets of $62.8 million compared to $72.2 at December 31, 2010. The decrease in assets was mainly due to the decrease in amounts outstanding as accounts receivable. As the drilling program on the Ubuntu prospect and the demobilization of rig were completed in the first half of 2011, the amounts outstanding from Joint Venture partners decreased by $9.4 million.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2011, the Company had net working capital of $4.2 million compared to net working capital of $15.5 million at December 31, 2010.

The decrease in working capital is mainly due to the use of cash for operations and the drilling program. Funds used in operations for the nine months ended September 30, 2011 were $1,845,891, which was offset by the an increase in working capital of $786,727. The change in

working capital is related to a decrease in accounts receivable of $9.6 million and a decrease in accounts payable of $8.8 million.

Funds used in investing activities for the nine months ended September 30, 2011 were $7,265,963. Funds used for the addition of exploration and evaluation assets totaled $10.0 million, which was funded in part by the release of a portion of the letter of credit, which contributed $2.7 million to cash and cash equivalents.

A summary of capital expenditures for the first nine months of 2011 is provided below.

PPL 259 – Seismic program	$ 3,679,510
PPL 259 – Ubuntu-1 exploration well	3,095,559
PPL 259 – Rig demobilization	3,070,871
Overhead	244,575
PPL 260 – Operator overhead	17,524
PPL 259 – FEED study	12,723
Other	(29,145)
PPL 260 – Korka-1 exploration well	(75,151)
Total exploration and evaluation assets	10,016,466
Office equipment, furniture, computer equipment	21,742
Total capital expenditures	$ 10,038,208

For the nine months ended September 30, 2011, the Company received $498,136 (net of costs) for the issuance of shares from the over-allotment option pursuant to the December 2010 equity financing and from the exercise of options.

The effect of exchange rates reduces cash and cash equivalents by $13,262.

The Company does not currently generate sufficient cash flow from its operating activities to fund its activities and has relied upon contributions from farm-outs and the issuance of equity 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. Management believes there is the opportunity for the Company to enter into further farm-out or joint venture arrangements and/or raise further equity in 2011/2012 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.

2011 WORK PROGRAM AND OUTLOOK

2011 Work Program
The Company's 2011 work program is primarily based on meeting its PNG License commitments which includes gathering appraisal data on the Ubuntu Discovery in PPL 259. The Company is in discussions with industry partners to enter into further joint venture or farm-out arrangements in the PNG Licenses.

PPL 259
On September 21, 2011, the Minister for Petroleum and Energy granted the Company a five year extension term for PPL 259 until 21 September 2016. The initial work programme for this license extension is to complete 100km of seismic and to drill one exploration well during the first two years of the license extension term. This is in addition to the acquisition of 20 km of seismic to be acquired on the Ubuntu field.

Exploration seismic in PPL-259 is planned to commence in Q1 2012 contingent on the completion of a successful farm-out in the license. This will be the first of two phases of seismic designed to identify the best drilling prospect for our second exploration well. It is envisaged that our second exploration well will be drilled during 2012.

Prior to drilling a second exploration well in the license, the Company believes there is much to be gained by studying the results from other nearby operators, including the PRL 4 joint venture's recent successful appraisal drilling programme in the Stanley field, where an additional gas filled sand has been discovered.

PRL 28
A Petroleum Retention License (PRL) has been offered and accepted for the two graticular blocks comprising the Ubuntu prospect of PPL 259. The extension will be granted for five years and during the first phase of this extension, the Company must undertake marketing studies with analysis of future hydrocarbon commercialization scenarios for the Ubuntu static gas and gas condensate resource; undertake technical studies to (i) re-map and assess the reserves of the Ubuntu feature, focusing on an integration of the Ubuntu seismic; (ii) determine the potential for an integrated development with other nearby fields; (iii) deliver gas and/or condensate to local markets; (iv) identify landowners and required social mapping; and (v) address other commercialization opportunities for gas/condensate. The cost of the above work is to be not less than US$350,000.

Line cutting and preparation for the Ubuntu seismic has already been completed and seismic acquisition commenced in November 2011.

During Q4 of this year, the PRL 21 joint venture plans to drill appraisal wells on the Elevala and Ketu discoveries which are adjacent to our recent discovery on Ubuntu. The results of these wells, in the immediate vicinity of PRL 28, will provide valuable information in improving our understanding of the Ubuntu discovery and the exploration potential.

PPL 257
On November 22, 2011, a five year extension to PPL 257 was offered. During the first two years of the extension, the Company must, at a cost of not less than US$500,000 integrate recently completed studies; conduct further field studies as deemed necessary; integrate seismic interpretation and structural studies; and continue farm-out talks.

PPL 260
In October 2011, a five-year extension to PPL 260 was granted. The program for years 1 and 2 comprise surface geological studies to high grade the most prospective areas. This work will be completed in 2011 and 2012 and Eaglewood's share of costs will not exceed US$ 100,000 (see subsequent event regarding sale of 20% of the license).

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 timing of completion. Additional risk factors are disclosed in the Company's 2010 Annual Information Form dated April 14, 2011 which is available on SEDAR at www.sedar.com.

OUTSTANDING SHARE DATA

As at November 24, 2011, the Company had 87,148,942 common shares outstanding and 5,846,000 stock options outstanding under its stock option plan. The Company also had 6,200,000 performance warrants outstanding.

RELATED PARTY TRANSACTIONS

For the three and nine months ended September 30, 2011, the Company paid $15,136 and $69,121 for legal services to a firm of which an officer of the Company is a partner.

For the three and nine months ended September 30, 2011, the Company paid $3,000 and $9,000 in management fees to a company controlled by a director. These fees were paid for administrative services which were provided by the director.

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to executive officers. The executive officers include the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. Executive officers also participate in the Company's stock option program. Key management personnel compensation for the three and nine months ended September 30, is comprised as follows:

	For the three months ended,		For the nine months ended,	
	September 30, 2011	September 30, 2010	**September 30, 2011**	September 30, 2010
Salaries and wages	**$ 200,406**	$ 209,462	**$ 731,868**	$ 622,636
Short-term employee benefits	**1,881**	2,841	**13,847**	14,029
Share-based payments	**49,995**	64,064	**146,580**	210,775
	$ 252,282	$ 276,367	**$ 892,295**	$ 847,440

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.

IFRS FIRST TIME ADOPTION

Eaglewood's interim consolidated financial statements as at and for the three and nine months ended September 30, 2011 have been prepared in accordance with IFRS as issued by the IASB. Previously, the Company prepared its annual and interim consolidated financial statements in accordance with Canadian GAAP. Since the interim consolidated financial statements represent the Company's initial presentation of its results and financial position under IFRS, they have been prepared in accordance with International Accounting Standards ("IAS") 34 - *Interim Financial Reporting* and IFRS 1 - *First Time Adoption of IFRS*.

The Company's significant accounting policies under IFRS are described in note 3 to the interim consolidated financial statements.

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

IFRS 1 election for full cost oil and gas entities:
The Company elected an IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS as follows: exploration and evaluation assets were reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP.

IFRS 1 election for share-based payments:
The Company elected an IFRS 1 exemption relating to fully vested stock options at January 1, 2010 whereby the Canadian GAAP balances relating to fully vested stock options at January 1, 2010 have been carried forward without adjustment. Full retrospective application of IFRS has been applied to unvested stock options at January 1, 2010.

The other significant differences between IFRS and Canadian GAAP, are summarized as follows:

(a) *Share - based payments:*

Under Canadian GAAP, the Company did not incorporate a forfeiture estimate in determining the fair value of share options and performance warrants. Under IFRS, the Company must estimate a forfeiture rate. Also, under IFRS for performance warrants, the Company estimates the probability of achieving certain share prices in determining the fair value of the warrants.

(b) *Foreign currency:*

The Company has determined that US dollars and Canadian dollars are the functional and presentation currencies, respectively, for IFRS financial statements. The impact arising from this change has been included in the above reconciliations. The most significant impact on the balance sheet is an increase in exploration and evaluation assets and property, plant and equipment of $2,326,774 with an offsetting decrease in the deficit as at January 1, 2010 (September 30, 2010 - increase in exploration and evaluation assets and property, plant and equipment of $1,833,908 and the same decrease in the deficit; December 31, 2010: increase in exploration and evaluation assets and property, plant and equipment of $1,233,156 and an offsetting decrease in the deficit). The impact of the accumulated other comprehensive income is an increase in other comprehensive income of $228,881 for the nine months ended September 30, 2010 (January 1, 2010 - nil; year ended December 31, 2010 – increase of $593,516). The impact of the profit or loss is an increase in foreign currency exchange gain of $317,635 for the three months ended September 30, 2010 and an increase in foreign currency exchange gain of $696,530 for the nine months ended September 30, 2010 (year ended December 31, 2010 - $1,028,795).

(c) Reclassifications

The Company has reclassified its consolidated statement of comprehensive income in order to conform to IFRS.

(d) Asset retirement obligations

Consistent with IFRS, asset retirement obligations have been previously measured under Canadian GAAP based on the estimated cost of decommissioning, discounted to their net present value upon initial recognition. Under IAS 37, asset retirement obligations are discounted using a risk-free rate, whereas they were discounted using a credit-adjusted rate under Canadian GAAP.

NEW AND AMENDED ACCOUNTING STANDARDS

(a) New accounting standards

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through

other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 11, *Joint Arrangements* (IFRS 11), IAS 27, *Separate Financial Statements* (IAS 27), IFRS 13, *Fair Value Measurement* (IFRS 13) and amended IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.
The following is a brief summary of the new standards:

IFRS 11 - *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 13 - *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure requirements for fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(b) Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

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 September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
Salaries & wages	**$388,535**	$ 334,336	**$ 1,081,673**	$ 1,031,926
Stock based compensation	**180,057**	313,347	**709,915**	831,689
Travel & accommodation	**73,108**	78,294	**248,145**	267,557
Office costs	**58,815**	66,767	**206,085**	230,030
Professional fees	**33,237**	38,326	**197,754**	118,553
Public company	**18,867**	18,900	**111,182**	156,077
Office rent	**30,671**	34,124	**76,666**	101,616
Consulting	**21,472**	16,128	**37,970**	42,494
Other general and administrative	**7,109**	43,068	**70,185**	79,755
Overhead recoveries	**(543)**	(36,522)	**(299,619)**	(82,499)
	$ 811,328	$ 906,768	**$ 2,439,956**	$ 2,777,198
Capitalized exploration and evaluation costs	**$602,463**	$12,090,592	**$10,274,079**	$23,730,829