Eaglewood Energy

Eaglewood Energy Inc.
Management's discussion and analysis
For the three months ended March 31, 2013 and 2012

CHIEF EXECUTIVE'S MESSAGE

The first quarter 2013 continued to be active from a regulatory and commercial perspective. We continue to make progress on our applications with the PNG regulator for a gas and condensate processing facility (APPFL3) and a condensate pipeline (APL9), as well as beginning to convert our memorandum of understanding with Trafigura PTE LTD, into a definitive financing and off-take agreement. The proposed pipeline will have the capacity to transport all condensate from all the operators in the area with a capacity up to 15,000 bpd of condensate from the processing facility to Drimdenasuk on the Fly River.

A seismic program was completed in the first quarter over two of the large leads in the western part of PPL 259, Nama and Ekelesia. This program was a follow-up to the seismic program we completed late last year and was very helpful in converting the Nama prospect into a drilling location. With the new information, the Ekelesia prospect also continues to look encouraging.

The unitization discussions with respect to the Stanley volumes on PPL 259 and our inclusion in the Stanley development continue with the PRL 4 joint venture and we hope to conclude those negotiations and finalize our equity position in this project in the coming quarter.

We continue to work on finding partners to farm-in to our two frontier licenses PPL's 257 & 258, and our online data room has seen interest from a wide range of companies. We are working towards securing a partner willing to fund an exploration well in at least one of these licenses.

PNG as a country has had increased levels of onshore and offshore activity, and things continue to develop around our licenses in the forelands, increasing our strategic and resource value. We want to thank our shareholders for their patience and support.

Brad Hurtubise
Chief Executive Officer
April 16, 2013

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 months ended March 31, 2013 and 2012 and related notes therein prepared in accordance with International Financial Reporting Standards. The effective date of this MD&A is May 16, 2013.

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, 2012, dated April 17, 2013 and filed on SEDAR on April 24, 2013.

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 petroleum prospecting and retention 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 Q1:2013

- In March 2013, the Company completed the 2D seismic survey over PPL 259 in Papua New Guinea.

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 effective the date of the grant. Within the first two years from the date of extension of this license, 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. Eaglewood has a 65% participating interest in this license and is the Operator.

PRL 28

In December 2011, a Petroleum Retention License (PRL) was granted for the Ubuntu gas condensate discovery on PPL 259. The license was granted for five years effective the date of the grant, and during this period, the Company must undertake marketing studies with analysis of future hydrocarbon commercialization scenarios for the Ubuntu 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. Eaglewood has a 40% participating interest in this license and is the Operator.

PPL 257

In December, 2011, a five year extension to PPL 257 was granted effective the date of the grant. 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 license which must include drilling one exploration well at a cost of not less than $US40,000,000, conduct post well studies and a 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 foregoing work program. Eaglewood has a 100% participating interest in this license and is the Operator.

PPL 258

In August 2012, the Company was granted a five year extension to this license effective the date of the grant. During the first two years, the Company must carry out and integrate a number of studies at a cost of not less than US$500,000; in the third and fourth year, the Company must drill one exploration well with a second well required in year five at a cost of not less than US$15,000,000 per well. Eaglewood has a 100% participating interest in this license and is the Operator.

The PNG government retains the right to back-in for up to a 22.5 % interest at cost which can be exercised at the time a development license is granted. The PNG government also has a 2% royalty over any oil or natural gas production that may occur with respect to the PNG Licenses.

The Company has issued bank guarantees totaling approximately $225,000 (100,000 Papua New Guinea Kina 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)	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sep 30 2011	Jun 30 2011
Revenue	28	28	60	18	-	-	-	-
Income (loss) before discontinued operations	(595)	(1,892)	3,987	(673)	(616)	(745)	(983)	(2,577)
Net income (loss)	(595)	(1,892)	3,987	(673)	(616)	(745)	(983)	(2,577)
Income (loss) per share before discontinued operations	(0.01)	(0.02)	0.05	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Total income (loss) per share	(0.01)	(0.02)	0.05	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Total assets	63,413	61,186	62,008	61,594	58,848	64,305	62,828	62,202

- 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 $595,223 for the three months ended March 31, 2013 compared to a net loss of $616,142 for the three months ended March 31, 2012.

Total net expenses from operating activities for the three months ended March 31, 2013 were $569,520 compared to $592,038 for the three months ended March 31, 2012.

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

	Three months ended March 31,	
	2013	2012
Salaries & wages	**$ 271,478**	$ 373,349
Travel & accommodation	**28,475**	100,638
Stock based compensation	**112,673**	61,864
Consulting	**38,817**	59,516
Office costs	**42,767**	40,599
Professional fees	**29,164**	35,401
Other general and administrative	**19,223**	32,244
Office rent	**24,715**	27,186
Public company	**28,879**	26,752
Overhead recoveries	**(65,322)**	(11,689)
	$ 530,869	$ 745,860

The G&A expenses for the three months ended March 31, 2013 are approximately $215,000 lower than the expenses for the three months ended March 31, 2012.

For the three month ended march 31, 2013, salaries and wages were $102,000 lower than for the comparative period in 2012. In April 2012, the Company completed a 25% farm-out of PPL 259. The farmee must pay its proportionate share of all costs incurred, including the salaries and wages incurred in Australia and PNG. A reduction in staffing also contributed to the decrease.

Travel and accommodation expense is down $72,000 in the first quarter of 2013 compared to the same period in 2012. Increased travel and investor presentations increased expenses in the first quarter of 2012.

For the three months ended March 31, 2013, stock based compensation was $51,000 higher than for the same period in 2012. Stock options granted in April 2012 are being expensed, with the heaviest weighting being in the first 12 months following the grant. The first quarter of 2013 is at the end of the first 12 month expense weighting.

Consulting fees were $21,000 lower in the three months ended March 31, 2013 than the three months ended March 31, 2012. In 2012, the Company incurred consulting fees related to preparing further engineering work on PPL 259 area development options.

For the three months ended March 31, 2013, overhead recoveries were approximately $65,000 compared to $12,000 for the same period in 2013. Overhead recoveries are a function of joint operations and capital expenditures. Pursuant to the Joint Operating Agreement for PPL 259 and PRL 28, the Company recovers a percentage of the capital expenditures as compensation for the indirect services provided to the Joint Venture. In Q1:2013 the capital expenditures were $2.5M, whereas In Q1:2012 the capital expenditures were $1.2M of which US$800,000 was related to the purchase of the Transeuro back-in right, which was a 100% Company cost.

In addition to G&A expenses, in Q1:2012, the Company incurred $23,380 in operating costs compared to $8,520 spent in the first quarter of 2012. This relates to the purchase of the Camp at Drimdenasuk which will be used as a base to manage inventory remaining from the Ubuntu project and potentially other work nearby such as road work. Costs started to be incurred at the end of the first quarter of 2012.

FINANCIAL CONDITION

At March 31, 2013, the Company had total assets of $63.4 million compared to $61.2 million at December 31, 2012. The increase in assets was mainly due to the capitalization of the costs of the seismic program shot in the first quarter of 2013.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2013, the Company had net working capital of $7.3 million compared to net working capital of $10.0 million at December 31, 2012.

Funds used in operations for the three months ended March 31, 2013 were $0.4 million, offset by an increase in non cash working capital of $1.4 million. The change in non cash working capital is related to an increase in accounts payable.

Funds used in investing activities for the three months ended March 31, 2013 were $2.5 million.

A summary of capital expenditures for the first three months of 2013 is provided below.

PPL 259 – Drimgas seismic program	2,388,253
Overhead	50,173
Other	72,289
Total capital expenditures	$ 2,510,715

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 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 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.

2013 WORK PROGRAM AND OUTLOOK

2013 Work Program
The Company's 2013 work program is primarily based on meeting its PNG License commitments. In order to fund this work program, the Company is in discussions with industry partners to enter into further joint venture or farm-out arrangements in the PNG Licenses.

PPL 259
The 2013 work program for PPL 259 comprised of a 2D seismic survey in support of selecting a drilling location in 2013. The seismic survey included a 67.5 line km shoot over the western portion of the license area, primarily focused on high-grading the Herea and Nama Leads delineated by seismic acquired in April 2012, as well as two exploration lines over the Ekelesia Lead. A second phase of seismic data acquisition will be considered following the analysis of results from this first phase. Eaglewood's 65% share of these costs are estimated to be US $3.3 million. In the event a drilling location is located, Eaglewood expects to begin the preparation of a rig location this year. Eaglewood's 65% share of the site preparation costs are expected to be $1.3 million. Finally, dependent on the results of the Stanley pool unitization process of the Stanley pool Eaglewood will be required to pay its share of the development sunk costs to date, as well as development costs going forward. Eaglewood's share of these costs is not known at this time.

PRL 28
The 2013 work program for PRL 28 will include technical and commercial studies that support the development of the Ubuntu Discovery. In addition, the Company will continue to maintain and secure the inventory remaining from the Ubuntu-1 well, as well as the Ubuntu-1 location and wellhead. Eaglewood's share of these costs are expected to be approximately US $127,200.

PPL 257
The 2013 work program for PRL 257 will include field studies and study integration work, at a cost expected to be approximately US $250,000.

PPL 258:
The 2013 work program for PPL 258 will include integration of a number of studies at a cost of approximately US $100,000.

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 and duration of operations. Additional risk factors are disclosed in the Company's Annual Information Form dated April 17, 2013 which is available on SEDAR at www.sedar.com.

OUTSTANDING SHARE DATA

As at May 16, 2013, the Company had 87,368,942 common shares outstanding and 8,526,000 stock options outstanding under its stock option plan. The Company also had 6,200,000 performance warrants outstanding.

RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2013, the Company paid $1,970 for legal services to a firm of which an officer of the Company is a partner.

For the three months ended March 31, 2013, the Company paid $3,000 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 months ended March 31, is comprised as follows:

	For the three months ended,	
	March 31, 2013	March 31, 2012
Salaries and wages	**$ 188,649**	$ 176,712
Directors fees	**16,250**	16,250
Short-term employee benefits	**4,618**	8,136
Share-based payments	**79,928**	51,531
	$ 289,445	$ 252,629

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.

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 March 31,	
	2012	2012
Salaries & wages	**$ 271,478**	$ 373,349
Travel & accommodation	**28,475**	100,638
Stock based compensation	**112,673**	61,864
Consulting	**38,817**	59,516
Office costs	**42,767**	40,599
Professional fees	**29,164**	35,401
Other general and administrative	**19,223**	32,244
Office rent	**24,715**	27,186
Public company	**28,879**	26,752
Overhead recoveries	**(65,322)**	(11,689)
	$ 530,869	$ 745,860
Capitalized exploration and evaluation costs	**$2,510,715**	$1,397,100