Eaglewood Energy Inc.
Consolidated interim financial statements and notes
As at September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012.

The auditor of Eaglewood Energy Inc. has not performed a review of the unaudited interim financial statements for the three and nine months ended September 30, 2013 and 2012.

Eaglewood Energy Inc.
Consolidated Balance Sheets
Canadian Dollars

As at	**September 30, 2013**	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 6,022,213**	$ 10,703,552
Accounts receivable	**156,398**	127,811
Prepaid expenses	**13,161**	13,161
	6,191,772	10,844,524
Property, plant and equipment	**161,839**	192,629
Exploration and evaluation assets (note 4)	**54,844,665**	50,149,124
TOTAL ASSETS	**$ 61,198,276**	$ 61,186,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 520,152**	$ 817,905
Asset retirement obligation (note 5)	**1,966,090**	1,913,367
TOTAL LIABILITIES	**2,486,242**	2,731,272
Shareholders' Equity		
Share capital	**72,928,403**	70,505,987
Contributed surplus	**5,413,079**	4,900,301
Accumulated other comprehensive income (loss)	**(51,129)**	539,950
Deficit	**(19,578,319)**	(17,491,233)
TOTAL SHAREHOLDERS' EQUITY	**58,712,034**	58,455,005
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 61,198,276**	$ 61,186,277

Contingencies and commitments (note 12)

The accompanying notes are an integral part of these consolidated financial statements

Eaglewood Energy Inc.
Consolidated Statements of Loss and Comprehensive Loss
Canadian Dollars

	For the three months ended,		For the nine months ended,	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Revenue				
Operating revenue	**$ 27,631**	$ 59,747	**$ 77,875**	$ 77,827
Expenses				
General and administrative expenses	**547,339**	822,894	**1,784,929**	2,208,405
Operating expenses	**27,300**	76,355	**92,724**	113,476
Depletion, depreciation and amortization	**39,901**	46,305	**125,770**	138,050
Reversal of) impairment of exploration and evaluation assets (note 5)	**-**	(1,402,317)	**-**	(1,402,317)
Gain on sale of exploration and evaluation assets	**-**	(3,509,906)	**-**	(3,718,364)
Total expenses	**(614,540)**	(3,966,669)	**(2,003,423)**	(2,660,750)
Results from operating activities	**(586,909)**	4,026,416	**(1,925,548)**	2,738,577
Finance income	**1,716**	2,690	**7,267**	8,250
Finance expense	**(52,110)**	(42,595)	**(168,805)**	(49,647)
Net finance (expense) income (note 7)	**(50,394)**	(39,905)	**(161,538)**	(41,397)
Gain (loss) for the period	**(637,303)**	3,986,511	**(2,087,086)**	2,697,180
Other comprehensive loss				
Foreign currency translation adjustment	**397,704**	572,430	**(591,079)**	408,035
Total comprehensive loss for the period	**$ (239,599)**	$ 4,558,941	**$ (2,678,165)**	$ 3,105,215
Income (loss per share – basic and diluted	**$ (0.01)**	$ 0.05	**$ (0.02)**	$ 0.03
Weighted average common shares – basic and diluted	**87,368,942**	87,368,942	**87,368,942**	87,336,534

The accompanying notes are an integral part of these consolidated financial statements

Eaglewood Energy Inc.
Consolidated Statements of Changes in Equity
Canadian Dollars

	Number of common shares		Share capital		Contributed Surplus		Accumulated other comprehensive income		Deficit		Total equity
Balance at December 31, 2012	87,368,942	$	70,505,987	$	4,900,301	$	539,950	$	(17,491,233)	$	58,455,005
Total comprehensive loss for the period:											
Loss for the period									(2,087,086)		(2,087,086)
Other comprehensive income:											
Foreign currency translation							(591,079)				(591,079)
Total comprehensive income (loss) for the period							(591,079)		(2,087,086)		(2,678,165)
Transactions with owners, recorded directly in equity											
Share based payments					334,766						334,766
Total transactions with owners					334,766						334,766
Translation differences			2,422,416		178,012						2,600,428
Balance at September 30, 2013	87,368,942	$	72,928,403	$	5,413,079	$	(51,129)	$	(19,578,319)	$	58,712,034

The accompanying notes are an integral part of these consolidated financial statements

Eaglewood Energy Inc.
Consolidated Statements of Changes in Equity
Canadian Dollars

	Number of common shares		Share capital		Contributed Surplus		Accumulated other comprehensive income		Deficit		Total equity
Balance at December 31, 2011	87,248,942	$	72,117,067	$	4,327,461	$	332,115	$	(18,297,469)	$	58,479,174
Total comprehensive loss for the period:											
Loss for the period									2,697,180		2,697,180
Other comprehensive income:											
Foreign currency translation							408,035				408,035
Total comprehensive income (loss) for the period			-		-		408,035		2,697,180		3,105,215
Transactions with owners, recorded directly in equity											
Share based payments					487,433						487,433
Options exercised	120,000		22,349		(10,349)						12,000
Total transactions with owners	120,000		22,349		477,084		-		-		499,433
Translation differences			(2,554,640)		(162,024)						(2,716,664)
Balance at September 30, 2012	87,368,942	$	69,584,776	$	4,642,521	$	740,150	$	(15,600,289)	$	59,367,158

The accompanying notes are an integral part of these consolidated financial statement

Eaglewood Energy Inc.
Consolidated Statements of Cash Flow
Canadian Dollars

	For the nine months ended, September 30, 2013	September 30, 2012
Cash flows related to the following activities:		
Operating activities		
Net Income (loss)	**$ (2,087,086)**	$ 2,697,180
Adjustments for:		
Gain on sale of exploration and evaluation assets	**-**	(3,718,364)
Reversal of impairment of exploration and evaluation assets		(1,402,317)
Stock-based compensation	**289,747**	352,387
Depletion, depreciation and amortization	**125,770**	138,050
Finance income	**(7,267)**	(8,250)
Accretion of asset retirement obligation	**35,644**	(4,535)
	(1,643,192)	(1,945,849)
Changes in non-cash working capital (note 8)	**(326,339)**	(3,379,123)
	(1,969,531)	(5,324,972)
Investing activities		
Additions to exploration and evaluation assets	**(3,003,764)**	(2,174,952)
Additions to property, plant and equipment	**-**	(2,945)
Proceeds from farm-out	**-**	12,843,865
Finance income	**7,267**	8,250
	(2,996,497)	10,674,218
Financing activities		
Issue of common shares	**-**	12,000
Share issue costs		
	-	12,000
Net increase (decrease) in cash	**(4,966,028)**	5,361,246
Cash and cash equivalents, beginning of period	**10,703,552**	6,586,499
Effect of exchange rate change on cash and cash equivalents	**284,689**	(258,435)
Cash and cash equivalents, end of period	**$ 6,022,213**	$ 11,689,310

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations and going concern

Eaglewood Energy Inc. (collectively with its subsidiary, the "Company" or "Eaglewood") is a development stage enterprise whose primary activity is exploration of its Papua New Guinea ("PNG") licenses. Eaglewood is incorporated and domiciled in Canada. The address of its head office is Suite 602, 304 – 8 Ave. SW, Calgary, Alberta. The Company has commenced exploration drilling activities but does not have any production revenue at this time.

The consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Eaglewood Energy (BVI) Ltd., which was incorporated on July 4, 2007.

The consolidated annual financial statements of the Company as at and for the year ended December 31, 2012 are available at www.sedar.com.

2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Certain information and disclosures required to be included in notes to Consolidated Annual Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), as issued by the IASB, have been condensed or omitted.

The consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements as at and for the year ended December 31, 2012.

3. Significant accounting policies

The consolidated interim financial statements have been prepared following the same accounting policies as the consolidated annual financial statements as at and for the year ended December 31, 2012 except as disclosed below.

Effective January 1, 2013, Eaglewood adopted the following standards:

IFRS 10 "Consolidated Financial Statements" outlines a new methodology to determine whether to consolidate an investee. This new standard became effective on January 1, 2013. There was no impact to Eaglewood on adoption of this standard.

IFRS 11 "Joint Arrangements" outlines the accounting treatment for joint arrangements, notably joint operations which will follow the proportionate consolidation method and joint ventures which will follow the equity accounting method. This new standard became effective on January 1, 2013. There was no impact to Eaglewood on adoption of this standard.

IFRS 12 "Disclosure of Interests in Other Entities" outlines disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. These annual disclosure requirements became effective on January 1, 2013. Any impact will be reflected in the December 31, 2013 financial statements.

IFRS 13 "Fair Value Measurement" defines fair value, provides guidance on measuring fair value and outlines disclosure requirements for fair value measurement. This standard applies when another IFRS standard requires fair value measurements or disclosures, with some exceptions including IFRS 2 "Share based payments" and IAS 17 "Leases". This new standard became effective on January 1, 2013. There was no impact to Eaglewood on adoption of this standard.

4. Exploration and evaluation assets

Cost:		
Balance at December 31, 2011	$	58,759,154
Additions		2,156,555
Farm in proceeds		(9,299,114)
Foreign currency translation		(1,268,120)
Balance at December 31, 2012		50,348,475
Additions		3,010,034
Foreign currency translation		1,773,796
Balance at September 30, 2013	**$**	**55,132,305**
Disposals, amortization and impairment losses:		
Balance at December 31, 2011	$	1,484,372
Reversal of impairment		(1,402,317)
Amortization		117,296
Balance at December 31, 2012	$	199,351
Amortization		88,289
Balance at September 30, 2013	**$**	**287,640**
Carrying amounts:		
At December 31, 2011	$	57,274,782
At December 31, 2012	$	50,149,124
At September 30, 2013	**$**	**54,844,665**

The Company completed the 2D seismic survey over petroleum prospecting license 259 in Papua New Guinea in the first half of 2013.

5. Asset retirement obligation

Balance at December 31, 2012	$	1,913,367
Change in risk-free rate		(48,749)
Accretion		35,664
Total before translation difference		1,900,282
Translation difference		65,808
Balance at September 30, 2013	**$**	**1,966,090**

The Company's asset retirement obligations liability results from its ownership interest in petroleum and natural gas properties. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present asset value of the asset retirement obligations to be $1,930,537 as at September 30, 2013 (December 31, 2012 - $1,913,367) based on an undiscounted total future liability of $2,780,846 (December 31, 2012 - $2,696,865). These payments are expected to occur in 2027. The discount factor, being the risk-free rate, is 2.46% at September 30, 2013 (December 31, 2012 – 2.30%).

6. Share capital

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

(b) Stock options
The Company has a stock option plan for directors, officers, employees and consultants. Under the Company's stock option plan, the Company may grant options of up to 10% of the issued and outstanding common shares. The plan is administered by the Board of Directors. In accordance with the policies of the TSX Venture Exchange, the option exercise price, when granted, is based on the last closing price of the Company's shares on the TSX-V prior to the grant, subject to a permitted discount. Options granted under the plan have an exercise period not exceeding ten years. The vesting period is determined at the time of grant at the discretion of the Board of Directors.

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

	Weighted average remaining life (years)	Number of options		Weighted average exercise price
Balance, December 31, 2011	**2.73**	**5,796,000**	**$**	**0.66**
Granted		2,850,000		0.30
Exercised		(120,000)		0.10
Balance, December 31, 2012	**2.60**	**8,526,000**	**$**	**0.55**
Granted		1,200,000		0.33
Forfeited		(1,950,000)		0.86
Balance, September 30, 2013	**2.61**	**7,776,000**	**$**	**0.47**

The following table summarizes the stock options outstanding at September 30, 2013:

Range of exercise prices	Options outstanding	Weighted average exercise price	Options exercisable	Weighted average remaining life (years)
$0.10 - $0.50	5,786,000	0.25	2,986,000	2.92
$0.51 - $1.00	915,000	0.80	915,000	2.17
$1.01 - $1.50	700,000	1.30	700,000	1.13
$1.50 - $1.64	375,000	1.64	375,000	1.58
	7,776,000	**0.47**	**4,976,000**	**2.61**

The fair value of the stock options granted during the nine months ended September 30, 2013 for which the exercise price was equal to the share's market price was estimated at $340,101 (September 30, 2012 - $687,508)
These amounts will be recognized as stock based compensation expense over the vesting period of the options.

(c) Performance warrants

In 2008, the Company granted performance warrants to certain employees. The performance warrants entitle the employees to purchase an equivalent number of common shares of the Company if the common shares close at or above pre-determined prices for specified periods of time. All of the performance warrants expired on November 21, 2013.

	Number of warrants		Weighted average exercise price
Balance, December 31, 2011	**6,200,000**	**$**	**1.19**
Balance, December 31, 2012 and September 30, 2013	**6,200,000**	**$**	**1.19**

Exercise price	Warrants outstanding	Warrants exercisable
$0.75	1,550,000	1,550,000
$1.00	1,550,000	1,550,000
$1.25	1,550,000	1,550,000
$1.75	1,550,000	-
	6,200,000	**4,650,000**

(d) Share-based payments

The fair value of common share options and performance warrants granted is estimated on the date of grant and is recognized over the vesting period, using the Black Scholes Model.

	Nine months ended,	
	September 30, 2013	September 30, 2012
Weighted average fair value of stock options granted (per option)	**$0.325**	$0.24
Weighted average fair value of performance warrants granted	**n/a**	n/a
Expected life of stock options	**5 years**	4 years
Expected life of performance warrants	**n/a**	n/a
Expected volatility	**135%**	128%
Risk-free rate of return	**1.02%**	1.34%
Dividend yield	**Nil**	Nil

A forfeiture rate of 4.5% (September 30, 2012 – 5%) is used when recording share-based payments. This estimate is adjusted to the actual forfeiture rate. The stock based compensation expense related to the stock options for the three and nine months ended September 30, 2013 was $107,475 and $344,766 respectively (2012 - $194,943 and $487,433), of which $19,404 and $55,019 respectively (2012 – $40,175 and $135,046) has been capitalized.

7. Finance income and expenses

	For the three months ended,		For the nine months ended,	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Finance income:				
Interest income	**$ 1,716**	$ 2,690	**$ 7,267**	$ 8,250
Foreign exchange gain	**-**	-	**-**	-
	1,716	2,690	**7,267**	8,250
Finance expenses:				
Bank fees	**(3,236)**	(3,177)	**(7,692)**	(9,054)
Net foreign exchange loss	**(35,490)**	(42,173)	**(125,469)**	(45,128)
Asset retirement obligation	**(13,384)**	2,755	**(35,644)**	4,535
	(52,110)	(42,595)	**(168,805)**	(49,647)
Net finance (expense) income	**$ (50,394)**	**$** (39,905)	**$ (161,538)**	$ (41,397)

8. Supplementary cash flow information

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

	Nine months ended,	
	September 30, 2013	September 30, 2012
Provided by (used in):		
Accounts receivable	**$ (28,586)**	$ (85,042)
Prepaid expenses	**-**	399
Accounts payable and accrued liabilities	**(297,753)**	(3,294,480)
	$ (326,339)	$ (3,379,123)

9. Financial instruments and risk management

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. The following table shows the carrying values of assets and liabilities for each of the categories at September 30, 2013 and December 31, 2012.

	September 30, 2013	December 31, 2012
ASSETS		
Loans and receivables		
Cash and cash equivalents	**$ 6,022,213**	$ 10,703,552
Accounts receivable	**156,398**	127,811
	$ 6,178,611	$ 10,831,363
LIABILITIES		
Amortized costs		
Accounts payable	**$ 520,152**	$ 817,905

Fair values, including valuation methods and assumptions

The carrying amounts of financial instruments comprising cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term nature of these financial instruments.

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

- Level 1 – quoted market prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable or the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value of the financial instruments classified as held for trading (cash and cash equivalents) corresponds to a Level 1 classification.

Financial risk factors

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit Risk

Credit risk is the risk that a third party fails to meet its contractual obligations that could result in the Company incurring a loss. The Company's accounts receivable are primarily with joint venture partners. Receivables from joint venture partners arise when the Company conducts joint operations on behalf of its partners and invoices them for their share of costs. As at September 30, 2013 and December 31, 2012, there was no allowance for doubtful accounts for the joint venture receivables as all accounts receivable were current.

The maximum exposure to credit risk is as follows:

	Carrying amount	
	September 30, 2013	December 31, 2012
Cash and cash equivalents	**$ 6,022,213**	$ 10,703,552
Accounts receivable	**156,398**	127,811
	$ 6,178,611	$ 10,831,363

Cash and cash equivalents
The Company limits its exposure to credit risk by only investing in liquid securities and only with major national banks. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable
The majority of the Company's operations are conducted in Canada and Papua New Guinea. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

(b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditure.

(c) Market risk
Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks.

(d) Foreign currency exchange risk:
The Company is exposed to risk arising from fluctuations in foreign currency exchange rates and the volatility of those rates. This exposure primarily relates to: (i) certain expenditure commitments, deposits and accounts payable which are denominated in foreign currencies including Canadian dollars, Australian dollars or Papua New Guinea kina; and (ii) its operations in Papua New Guinea.

The Company's foreign currency exchange risk arises from cash and cash equivalents and current liabilities. With a 10% strengthening or weakening of the Canadian dollar against all exchange rates, the net loss for the nine months ended September 30, 2013 would reduce by $0.6 million (December 31, 2012 -$0.8 million) or increase by $0.5 million (December 31, 2012 - $0.6 million).

10. Capital management

The Company's objective when managing its capital structure is to maintain adequate levels of available working capital, including cash and cash equivalents, to meet its license commitments in PNG.

The Company funds its share of expenditures of all commitments from existing cash and cash equivalent balances received primarily from fees from farming out its Licenses and issuances of shareholders' equity. In order to maintain positive working capital, the Company may issue new shares. The Company does not currently utilize debt and is not subject to any financial covenants.

The Board of Directors regularly reviews the Company's cash and cash equivalents against the expenditure commitments and assesses the timing and need for additional equity financing. The Company's results will impact its access to the capital necessary to meet these expenditure commitments. There can be no assurance that equity financing will be available or sufficient to meet those requirements, or for other corporate purposes, or if equity financing is available, that it will be on terms acceptable to the Company.

11. Related party transactions

The Company has entered into transactions with related parties in the normal course of business, which were valued at the exchange amount established and agreed to by the related parties. During the nine months ended September 30, 2013 and 2012, the related party transactions were as follows:

(a) the Company paid $3,000 and $9,000 respectively (September 30, 2012 - $3,000 and $9,000) to a company controlled by a director. These fees were paid for administration services which were provided by the director who previously acted as an officer of the Company. At September 30, 2013, $nil (December 31, 2012 - $nil) was included in accounts payable and accrued liabilities.

(b) the Company paid $6,677 and $38,850 respectively (September 30, 2012 - $33,708 and $74,063) for legal services to a law firm of which an officer of the Company is a partner. At September 30, 2013, $Nil (December 31, 2012 - $2,235) was included in accounts payable and accrued liabilities.

Key management personnel compensation

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

	For the three months ended,		**For the nine months ended,**	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Salaries and wages	**$ 173,478**	$ 201,905	**$ 545,844**	$ 579,488
Directors fees	**16,250**	16,250	**48,750**	48,750
Short-term employee benefits	**1,371**	1,935	**7,360**	12,679
Share-based payments	**146,257**	142,098	**328,223**	304,067
	$ 337,356	$ 362,188	**$ 930,177**	$ 944,984

12. Contingencies and commitments

(a) License commitments

Pursuant to the terms of the Licenses, the Company has assumed certain financial and work commitments relating its licenses as described below:

License	Commitment
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. The Company has submitted a license variation to defer our drill or drop decision until October 2014. 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.
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. Our work commitment is to initiate drilling operations in September of this year. We have initiated preparation of the drilling site and the contracting of a drilling rig with a view to starting operations in the fourth quarter of this year. In addition, we have received a license variation to allow us the flexibility to drill the well later in 2014. 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 430	In July 2013, the Company was granted this license effective the date of the grant. The term of PPL 430 is six years. The work commitments associated with the grant in the first two years are to conduct technical studies on the license and acquire approximately 20km of seismic. In years three and four, contingent on the results of those studies, the Joint Venture will drill an exploration well; and in years five and six, contingent on a discovery, drill a further well. Gross costs for this license are estimated to be approximately $1.5 million over a two year period. Eaglewood has a 50% participating interest in this license.

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 Licenses. If the Company does not fulfill its commitments under a License and has not applied for and been granted an extension, it could potentially lose its guarantee and the applicable License could be revoked by the PNG government.

(b) PNG government back in right

The PNG government retains a 22.5 percent back-in right which can be exercised at the time a development license is granted. If the PNG government exercises its back-in right, it would be required to pay the Company 22.5 percent of all costs incurred in respect of the Licenses up to the election date and to pay 22.5 percent of the ongoing production and development costs of the Licenses.

(c) Reclamation

The Company has a commitment to obtain a reclamation certificate relating to an abandoned well site in Alberta which relates to a predecessor company. The cost of any reclamation work relating to the site is not determinable at this time.

13. Segmented information

The Company has one reportable business segment, that being oil and gas exploration and development, in Papua New Guinea.

	For the three months ended September 30, 2013		
	Corporate	Papua New Guinea	Consolidated
Operating revenue	$ -	$ 27,631	$ 27,631
Expenses	(333,020)	(281,520)	(614,540)
Net finance expense	(4,414)	(45,980)	(50,394)
Loss for the period	$ (337,434)	$ (299,869)	$ (637,303)
Capital additions (excluding foreign currency adjustment)	$ -	$ 519,572	$ 519,572

	For the three months ended September 30, 2012		
	Corporate	Papua New Guinea	Consolidated
Operating revenue	$ -	$ 59,747	$ 59,747
Expenses	(452,544)	4,419,213	3,966,669
Net finance income (expense)	10,813	(50,718)	(39,905)
Gain (loss) for the period	$ (441,731)	$ 4,428,242	$ 3,986,511
Capital additions (excluding foreign currency	$ -	$ 148,467	$ 148,467

adjustment)

For the nine months ended September 30, 2013		Corporate		Papua New Guinea		Consolidated
Operating revenue	$	-	$	77,875	$	77,875
Expenses		(1,126,314)		(877,109)		(2,003,423)
Net finance income (expense)		7,211		(168,749)		(161,538)
Loss for the period	$	(1,119,103)	$	(967,983)	$	(2,087,086)
Segment assets	$	6,019,632	$	55,178,643	$	61,198,275
Exploration and evaluation assets	$	-	$	54,844,665	$	54,844,665
Capital additions (excluding foreign currency adjustment)	$	-	$	2,490,462	$	2,490,462

Assets held in the Corporate segment are primarily cash in nature.

For the nine months ended September 30, 2012		Corporate		Papua New Guinea		Consolidated
Operating revenue	$		$	77,827	$	77,827
Expenses		(1,271,653)		3,932,403		2,660,750
Net finance income (expense)		58,215		(99,612)		(41,397)
Gain (loss) for the period	$	(1,213,438)	$	3,910,618	$	2,697,180
Segment assets	$	11,703,560	$	51,304,632	$	62,008,192
Exploration and evaluation assets	$	-	$	49,846,159	$	49,846,159
Capital additions (excluding foreign currency adjustment)	$	-	$	2,490,462	$	2,490,462