EAST WEST PETROLEUM CORP.

(formerly Avere Energy Inc.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2010

(Unaudited - Prepared by Management)

MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of East West Petroleum Corp. (*formerly Avere Energy Inc.*) for the nine months ended September 30, 2010, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

EAST WEST PETROLEUM CORP.

(Formerly Avere Energy Inc.)

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - Prepared by Management)

	September 30, 2010 $	December 31, 2009 $
A S S E T S		
CURRENT ASSETS		
Cash	2,528,627	714,192
Amounts receivable	76,961	18,764
Prepaid expenses	2,997	
	2,608,585	732,956
OFFICE EQUIPMENT	-	4,014
MINERAL PROPERTY INTERESTS (Note 4)	-	25,000
OIL AND GAS PROPERTIES AND EQUIPMENT (Note 5)	1,204,786	-
	3,813,371	761,970
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	164,339	184,541
Due to related parties (Note 10)	-	218,351
	164,339	402,892
ASSET RETIREMENT OBLIGATIONS (Note 6)	64,524	-
	228,863	402,892
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (Note 7)	8,598,020	4,333,051
CONTRIBUTED SURPLUS (Note 9)	625,658	-
DEFICIT	(5,639,170)	(3,973,973)
	3,584,508	359,078
	3,813,371	761,970

SUBSEQUENT EVENT (Note 15)

APPROVED BY THE DIRECTORS

"Greg Renwick" , Director

"Nick DeMare" , Director

The accompanying notes and schedule are an integral part of these interim consolidated financial statements.

EAST WEST PETROLEUM CORP.

(Formerly Avere Energy Inc.)

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

(Unaudited - Prepared by Management)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 $	2009 $	2010 $	2009 $
REVENUE				
Oil and gas sales	19,221	-	19,221	-
Royalties	(263)	-	(263)	-
	18,958	-	18,958	-
EXPENSES				
Exploration	217,931	-	217,931	-
Operating	3,881	-	3,881	-
Depletion, depreciation and accretion	15,859	-	15,859	-
General and administrative	287,450	47,082	864,318	122,828
Stock-based compensation (Note 8)	407,458	-	419,458	-
	932,579	47,082	1,521,447	122,828
LOSS BEFORE OTHER ITEMS	(913,621)	(47,082)	(1,502,489)	(122,828)
OTHER ITEMS				
Abandonment of acquisition (Note 5(c))	-	-	(158,178)	-
Interest and other income	806	-	806	-
Foreign exchange	(1,322)	-	(1,322)	-
Loss on disposal of office equipment	(4,014)	-	(4,014)	-
	(4,530)	-	(162,708)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(918,151)	(47,082)	(1,665,197)	(122,828)
DEFICIT - BEGINNING OF PERIOD	(4,721,019)	(3,724,117)	(3,973,973)	(3,648,371)
DEFICIT - END OF PERIOD	(5,639,170)	(3,771,199)	(5,639,170)	(3,771,199)
LOSS PER COMMON SHARE - BASIC AND DILUTED	$(0.03)	$(0.00)	$(0.06)	$(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	31,749,306	13,905,610	27,136,547	11,781,068

The accompanying notes and schedule are an integral part of these interim consolidated financial statements.

EAST WEST PETROLEUM CORP.

(Formerly Avere Energy Inc.)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Prepared by Management)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(918,151)	(47,082)	(1,665,197)	(122,828)
Adjustment for items not affecting cash				
Loss on disposal of office equipment	-	-	4,014	-
Depletion, depreciation and accretion	15,859	-	15,859	-
Stock-based compensation	407,458	-	419,458	-
	(494,834)	(47,082)	(1,225,866)	(122,828)
Decrease (increase) in amounts receivable	(48,093)	430	(58,197)	3,582
Decrease (increase) in prepaid expenses and deposits	(2,997)	1,250	(2,997)	1,313
Increase (decrease) in accounts payable and accrued liabilities	95,068	1,457	(20,202)	(47,800)
Due to related parties	-	7,443	-	87,055
	(450,856)	(36,502)	(1,307,262)	(78,678)
INVESTING ACTIVITIES				
Expenditures on oil and gas properties	(1,074,896)	-	(1,156,121)	-
Expenditures on mineral property interests	-	(35,630)	-	(36,540)
Proceeds on sale of mineral property interests	-	-	25,000	-
	(1,074,896)	(35,630)	(1,131,121)	(36,540)
FINANCING ACTIVITIES				
Share issue costs	(327,831)	-	(327,831)	-
Share subscriptions received	4,250	-	36,250	-
(Repayment of) advances from related parties, net	(20,858)	74,057	(218,351)	(378,343)
Issuance of common shares	3,961,500		4,762,750	500,000
	3,617,061	74,057	4,252,818	121,657
INCREASE (DECREASE) IN CASH DURING THE PERIOD	2,091,309	1,925	1,814,435	6,439
CASH - BEGINNING OF PERIOD	437,318	5,267	714,192	753
CASH - END OF PERIOD	2,528,627	7,192	2,528,627	7,192

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)

The accompanying notes and schedule are an integral part of these interim consolidated financial statements.

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

East West Petroleum Corp. (the "Company") was incorporated on October 23, 1987 under the provisions of the Company Act (British Columbia). Since 2002 the Company has been deemed inactive and its common shares were trading on the NEX Board ("NEX") of the TSX Venture Exchange (TSXV"). On August 9, 2010 the Company changed its name from Avere Energy Inc. to East West Petroleum Corp.

During the nine month period ended September 30, 2010 the Company negotiated the acquisition of interests in oil and gas properties, as described in Note 5, and conducted a number of private placement financings. As a result, effective October 1, 2010, the Company's listing of its common shares was transferred from NEX to the TSXV as a Tier 2 oil and gas issuer.

With the acquisition of the oil and gas interests, the Company now carries on business in one operating segment, being the acquisition of, exploration for and production from oil and gas properties.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. To continue as a going concern, the Company must generate profitable operations in the future through its planned capital investments and resultant increase in oil and gas production or continue to secure new funding. While the Company has significant cash balances, these may not be sufficient to fund the Company's planned capital investment program and working capital requirements. As such, it may need to pursue credit facilities or delay discretionary expenditures which may have an impact on the rate of future growth in its oil and gas production. There can be no assurance that these initiatives will be successful. These circumstances lend significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These interim consolidated financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related revenues and expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. CHANGE IN ACCOUNTING POLICY

During fiscal 2009 the Company announced that it intended to utilize the full cost method to account for its investment in oil and gas properties. In fiscal 2010, the Company has determined to adopt the successful efforts method of accounting for oil and gas activities. Under this method costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves are expensed at the moment that the exploratory drilling proves to be unsuccessful. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed as they are incurred. Expenditures for maintenance, repairs and minor renewals necessary to maintain properties in operating condition are expensed as incurred. Costs associated with major replacement and renewals are capitalized when the service potential of the reserves have been enhanced.

2. CHANGE IN ACCOUNTING POLICY (continued)

Acquired resource properties with proved reserves and capitalized costs of producing oil and gas properties, after considering estimated salvage values, are depreciated and depleted over proved developed reserves using the unit of production method. Acquisition costs of probable reserves are not depleted or amortized while under active evaluation for commercial reserves. Undeveloped land without proved reserves associated with the property is not subject to depletion and is carried at cost. Costs are transferred to depletable costs as proved reserves are recognized.

Oil and gas properties are evaluated by field for potential impairment annually or if a significant event or change occurs. This can include a significant decrease in oil and gas prices, revisions to proved reserves, changes in operating expenses or changes in operating environment. An impairment loss is recognized when the estimated undiscounted before tax future net cash flows of an evaluated asset are less than its carrying value. Unproved oil and gas properties are periodically assessed for impairment after considering the remaining term of the lease, drilling results, the evaluation of geological data and other information.

As the Company had not conducted any oil and gas activities in fiscal 2009, the change in the accounting policy for oil and gas activities had no impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP and include the accounts of the Company and its wholly-owned subsidiary, Avere Energy Corp. ("Avere USA"), a company incorporated in the state of Delaware, USA on March 9, 2010. Inter-company balances and transactions are eliminated on consolidation.

Measurement Uncertainty and Use of Estimates

The preparation of interim financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period presented. Such estimates relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. Management exercises significant judgment in the determination of estimates, including those related to valuations of financial and derivative instruments and impairment analysis of oil and gas properties. Actual results could differ materially from estimated amounts.

Amounts recorded for depreciation, depletion and accretion costs and amounts used for impairment calculations are based on estimates of crude oil and natural gas reserves and commodity prices and capital costs required to develop those reserves. By their nature, reserves estimates and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

Inherent in the fair value calculation of the asset retirement obligation are assumptions and judgments which are subject to measurement uncertainty, including the inflation factor, the ultimate settlement amount, the credit-adjusted risk-free interest rate and the timing of settlement. To the extent future revisions to these assumptions impact the fair value of the existing asset retirement obligation, a corresponding adjustment is made to the oil and gas properties balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant assumptions with respect to stock-based compensation include an estimate of the volatility of the Company's shares and the expected life of the options, and are subject to measurement uncertainty.

Cash and Cash Equivalents

Cash consists only of bank deposits for the purpose of meeting short-term cash requirements and not for investing or other purposes. The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At September 30, 2010 the Company had no cash equivalents.

Mineral Property Interests

Costs related to the acquisition and exploration of mineral properties are capitalized by property as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units-of-production method. When a property is abandoned, capitalized costs are written off to operations. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment write-downs are charged to the statement of operations.

Oil and Gas Properties and Equipment

See Note 2.

Joint Operations

Substantially all of the Company's operations are conducted jointly with others and accordingly these interim consolidated financial statements reflect only the Company's proportionate interest in such activities.

Asset Retirement Obligations

The Company recognizes the fair value of an asset retirement obligation in the period in which it is incurred and when a reasonable estimate of the fair value can be made. The fair value of the asset retirement obligation is capitalized as part of the cost of oil and gas properties and depleted on the same basis. The accumulated asset retirement is adjusted for the passage of time, which is recognized in depletion, depreciation and accretion expense in the statement of operations, and for revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligation reduce the asset retirement obligation to the extent of the liability recorded. Differences between the actual costs incurred upon settlement of the asset retirement obligation and the liability recorded are recognized in the Company's operations in the period in which the settlement occurs.

Revenue Recognition

Revenues from the sale of crude oil, natural gas and refined petroleum products are recorded on a gross basis when title passes to an external party. The Company does not hedge any of its production.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. If and when the stock options are exercised the applicable amounts of contributed surplus are transferred to share capital.

Income Taxes

Income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Financial Instruments

Under Section 3251, *Equity* and Section 3855, *Financial Instruments - Recognition and Measurement,* all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held- to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing will be expensed in the period incurred.

The Company has designated its cash as held-for-trading which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Section 3862, *Financial Instruments - Disclosures*, requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863, *Financial Instruments - Presentation*, and Section 3865, *Hedges*. Disclosure requirements pertaining to Section 3862 are contained in Note 12.

Section 3863, *Financial Instruments - Presentation*, enhances financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Section 3862, *Financial Instruments – Disclosures*, requires an entity to provide disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

The additional disclosures as a result of the amended Section 3862 are contained in Note 12.

Revenue Recognition

The Company recognizes revenues on the sale of oil and gas when they are delivered and title passes to the buyers and collection of the revenues is reasonably assured.

Royalties on production represent the entitlement of the respective government to a portion of the Company's share of oil and gas production and are recorded using rates in effect under the terms of contracts at the time of production.

Comprehensive Income

Section 1530, *Comprehensive Income*, provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian GAAP.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Foreign Currencies

As the Company's foreign subsidiary has been dependent on funding from its parent, the operations are considered to be integrated. As a result, the temporal method of translating the accounts of the foreign subsidiary have been adopted. Under this method, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect during the period in which they were earned or incurred. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

Assessing Going Concern

Section 1400, *General Standards of Financial Statement Presentation*, was amended to include requirements for management to make an assessment of a company's ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, those uncertainties should be disclosed. The Company has performed such an assessment and has concluded that it is appropriate to present these consolidated financial statements using the going concern assumption.

Capital Disclosures

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to Section 1535 are contained in Note 13.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations,* Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581, *Business Combinations,* and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27, *Consolidated and Separate Financial Statements,* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not expect the adoption of these accounting policies to have a material impact on its consolidated financial statements.

4. MINERAL PROPERTY INTERESTS

	September 30, 2010 $	December 31, 2009 $
Mineral properties		
Acquisition costs	-	25,000
Deferred exploration costs		
Geological report	-	7,317
Geophysical work program	-	56,184
Mining exploration credit	-	(12,632)
Recording fees	-	4,366
	-	55,235
	-	80,235
Less provision for impairment	-	(55,235)
	-	25,000

The Company previously held a 100% interest in two mineral claims (the "Easy Joe Property") comprising approximately 312 hectares located in the Pemberton-Lillooet area of British Columbia. In February 2010 the Company entered into an agreement with Legion Resources Corp. and sold the Easy Joe Property for $25,000 cash. As a result the Company determined to record an impairment loss of $55,235 in fiscal 2009.

5. OIL AND GAS PROPERTIES AND EQUIPMENT

	Cost $	Accumulated Depletion and Depreciation $	Net Carrying Value $
Canada (a)			
Oil and gas properties	900,000	(12,363)	887,637
Equipment and other	289,119	(3,091)	286,028
Romania (b)			
Oil and gas properties	31,121	-	31,121
	1,220,240	(15,454)	1,204,786

(a) Effective September 1, 2010 the Company executed a purchase and sale agreement with Sphere Energy Corp. ("Sphere"), a private company, whereby the Company paid $1,125,000 to acquire Sphere's working interests, ranging from 4.8% to 20%, in four producing oil wells and thirteen gas wells (the "Carbon Property") located approximately 50 miles northeast of Calgary, Alberta.

(b) During the nine months ended September 30, 2010, the Company was awarded four exploration blocks, for a total area of approximately 1,000,000 acres, located in the Pannonian Basin, in western Romania.

5. OIL AND GAS PROPERTIES AND EQUIPMENT (continued)

(c) On January 27, 2010, as amended February 23, 2010, the Company entered into a farm-in letter agreement (the "Letter Agreement") with American Exploration Corp. ("American Exploration") to acquire a 20% interest in the Haynesville shale gas prospect located in Mississippi. The Company was required to pay 20% of the costs of drilling and completion of an initial deep gas well, and pay payments aggregating US $850,000, including a non-refundable deposit of $77,725 (US $75,000). The Company was subsequently unable to complete a financing to fund the Letter Agreement and the arrangement was terminated with an additional $80,453 (US $75,000) paid to American Exploration.

6. ASSET RETIREMENT OBLIGATIONS

	Nine Months Ended September 30, 2010 $	Year Ended December 31, 2010 $
Balance, beginning of period	-	-
Initial estimated liability	64,119	-
Accretion	405	-
Balance, end of period	64,524	-

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation is $195,000 which has been discounted using a credit adjusted risk free rate of 10% and inflation rate of 2%. The reclamation obligation relates to the oil and gas property in Canada. The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur. Estimated date of retirement will be in 2023.

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future years.

7. SHARE CAPITAL

Authorized: unlimited number of common shares without par value

	Nine Months Ended September 30, 2010		Year Ended December 31, 2009	
Issued:	Number of Shares	Amount $	Number of Shares	Amount $
Balance, beginning of period	23,452,806	4,333,051	1,952,806	3,119,301
Issued for cash				
Private placements	13,600,000	3,400,000	20,000,000	1,250,000
Exercise of warrants	12,152,500	1,362,750	-	-
Subscriptions receivable	-	36,250	-	(36,250)
For finder's fees	-	-	1,500,000	75,000
	25,752,500	4,799,000	21,500,000	1,288,750
Less share issue costs	-	(534,031)	-	(75,000)
	25,752,500	4,264,969	21,500,000	1,213,750
Balance, end of period	49,205,306	8,598,020	23,452,806	4,333,051

(a) During the nine months ended September 30, 2010 the Company completed a non-brokered private placement of 13,600,000 units at a price of $0.25 per unit for gross proceeds of $3,400,000. Each unit comprised one common share and one non-transferable share purchase warrant. Each warrant entitled the holder to purchase an additional common share at a price of $0.34 per common share on or before September 29, 2013.

The Company paid finders' fees totalling $257,750 cash and granted 1,031,000 compensation options (the "Compensation Options") with each Compensation Option entitling the holder to purchase one unit for $0.25 per unit. Each unit will comprise of one share and one warrant to purchase an additional share at a price of $0.34 on or before September 29, 2013. As at September 30, 2010 the Compensation Options were unexercised and remained outstanding. The fair value of $206,200 assigned to the Compensation Options have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 79%; a risk-free interest rate of 1.81%; and an expected life of three years. The Company also incurred $70,081 in filing fees associated with the private placement.

Certain directors, officers and family members of directors and officers have purchased 490,000 units of this private placement.

7. SHARE CAPITAL (continued)

(b) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at September 30, 2010 and 2009 and the changes for the nine months ending on those dates is as follows:

	2010		2009	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	20,000,000	0.13	-	-
Issued	13,600,000	0.34	5,000,000	0.20
Exercised	(12,152,500)	0.11	-	-
Expired	(3,525,000)	0.20	-	-
Balance, end of period	17,922,500	0.29	5,000,000	0.20

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at September 30, 2010:

Number	Exercise Price $	Expiry Date
4,322,500	0.10	December 21, 2010
13,600,000	0.34	September 29, 2013
17,922,500		

(c) 5,656,750 common shares are held in escrow at September 30, 2010.

8. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the stock options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years from the date of grant.

During the nine months ended September 30, 2010 the Company granted 5,879,530 stock options to its directors, employees and consultants and recorded compensation expense of $419,458.

No stock options were granted during the nine months ended September 30, 2009.

8. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The fair value of stock options granted and vested during the nine months ended September 30, 2010 and 2009 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2010	2009
Risk-free interest rate	2.41% - 2.81%	-
Estimated volatility	79% - 100%	-
Expected life	5 years	-
Expected dividend yield	0%	-

The weighted average fair value of all stock options granted during the nine months ended September 30, 2010 to the Company's directors, employees and consultants was $0.26 per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the Company's stock options at September 30, 2010 and 2009 and the changes for the nine months ending on those dates, is as follows:

	2010		2009	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	-	-	-	-
Granted	5,879,530	0.22	-	-
Expired / cancelled	(1,572,000)	0.26	-	-
Balance, end of period	4,307,530	0.20	-	-

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2010:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
390,000	190,000	0.26	January 7, 2015
1,800,000	566,666	0.16	June 11, 2015
840,000	373,333	0.20	July 19,2015
1,277,530	470,863	0.25	October 1, 2015
4,307,530	1,600,862		

9. CONTRIBUTED SURPLUS

The Company's contributed surplus for the nine months ended September 30, 2010 and 2009 is comprised of the following:

	2010 $	2009 $
Balance, beginning of period	-	-
Stock-based compensation on stock options (Note 8)	419,458	-
Stock-based compensation on finders' warrants (Note 7)	206,200	-
Balance, end of period	625,658	-

10. RELATED PARTY TRANSACTIONS

(a) During the nine months ended September 30, 2010 and 2009 the Company was billed by certain directors and private corporations owned by current and former directors of the Company, as follows:

	2010 $	2009 $
Accounting and administration	10,500	-
Legal	139,894	-
Management fees	-	45,000
Professional fees	36,780	-
Rent	3,790	13,500
	190,964	58,500

The above transactions have either been expensed to operations or recorded as share issue costs based on the nature of the expenditure.

The above transactions have been recorded at the exchange amounts agreed to by the related parties and the Company. As at September 30, 2010 accounts payable and accrued liabilities include $113,079 (2009 - $nil) due to the related parties.

(b) During the nine months ended September 30, 2010 the Company has repaid advances of $218,351 to former directors and officers of the Company. The advances were non-interest bearing and were due on demand.

(c) See also Note 7(a).

11. SEGMENTED INFORMATION

As at September 30, 2010 the Company currently operates in one business segment, being the acquisition, exploration and production of oil and gas properties. The Company's main oil and gas operations and corporate assets are located in Canada.

	Nine Months Ended September 30, 2010		
	Canada $	Other $	Total $
Oil and gas sales, net	18,958	-	18,958
Net loss	(1,301,353)	(363,844)	(1,665,197)
Expenditures on oil and gas properties	(1,156,121)	-	(1,156,121)
Total assets	3,782,250	31,121	3,813,371

	Year Ended December 31, 2010		
	Canada $	Other $	Total $
Net loss	(325,602)	-	(325,602)
Expenditures on mineral properties	(47,554)	-	(47,554)
Additions to capital assets	(4,014)	-	(4,014)
Total assets	761,970	-	761,970

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents bear floating rates of interest. The interest rate risk on cash and cash equivalents and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's subsidiary is located in United States. The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the operations of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At September 30, 2010, 1 Canadian Dollar was equal to 0.97 US Dollar.

Balances are as follows:

	US Dollar	**Canadian Dollar Equivalent**
Cash	113,991	117,516
Accounts payable and accrued liabilities	(6,385)	(6,582)
	107,606	110,934

Based on the net exposures as of September 30, 2010 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net loss being approximately $11,000 higher (or lower).

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended September 30, 2010 and 2009 non-cash activities were conducted by the Company as follows:

	2010 $	2009 $
Operating activity		
Increase in asset retirement obligation	64,119	-
Investing activity		
Additions to oil and gas properties	(64,119)	-
Financing activities		
Contributed surplus	206,200	-
Share issue costs	(206,200)	-
	-	-

15. SUBSEQUENT EVENT

Subsequent to September 30, 2010 the Company issued 3,465,834 shares for $370,317 from the exercises of warrants and stock options.

EAST WEST PETROLEUM CORP.

(formerly Avere Energy Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Background

This discussion and analysis of financial position and results of operation is prepared as at November 22, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2010 of East West Petroleum Corp. (the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com .

Company Overview

East West Petroleum Corp. (the "Company") was incorporated on October 23, 1987 under the provisions of the Company Act (British Columbia) Since 2002 the Company has been deemed inactive and its common shares were trading on the NEX Board ("NEX") of the TSX Venture Exchange (TSXV"). On August 9, 2010 the Company changed its name from Avere Energy Inc. to East West Petroleum Corp. and shifted its focus to emerging energy supplies of unconventional natural gas resources, including shale gas, coal bed methane and tight sandstone.

During the nine month period ended September 30, 2010 the Company negotiated the acquisition of interests in oil and gas properties, and conducted a number of private placement financings. As a result, effective October 1, 2010, the Company's listing of its common shares was transferred from NEX to the TSXV, as a Tier 2 oil and gas issuer trading under the symbol "EW".

With the acquisition of the oil and gas interests, the Company now carries on business in one operating segment, being the acquisition of, exploration for and production from oil and gas properties.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Corporate Update

At the Company's annual general meeting ("AGM") held October 29, 2010, Messrs. Greg Renwick, David Sidoo, James Dewar, Herb Dhaliwal, Nick DeMare and Dr. Marc Bustin were elected as directors of the Company. At a Board of Directors meeting held following the AGM the following boards were appointed:

(i) Non-Executive Chairman and Officers

David Sidoo - Non-Executive Chairman
Greg Renwick - President and Chief Executive Officer
Nick DeMare - Chief Financial Officer
James Harris - Corporate Secretary

(ii) Audit Committee

James Harris - Chairman
Herb Dhaliwal
Nick DeMare

(iii) Compensation Committee

David Sidoo - Chairman
Herb Dhaliwal
Nick DeMare

(iv) Technical Committee

Marc Bustin - Chairman
Greg Renwick
James Dewar

Exploration Projects Update

Oil and Gas Properties

Carbon Property, Alberta

Effective September 1, 2010 the Company executed a purchase and sale agreement with Sphere Energy Corp. (“Sphere”), a private company, whereby the Company paid $1,125,000 to acquire Sphere’s working interests, ranging from 4.8% to 20%, in four producing oil wells and thirteen gas wells (eight flowing coal bed methane (“CBM”) gas) (the “Carbon Property”) located approximately 50 miles northeast of Calgary, Alberta. The wells are producing from the Horseshoe Canyon, Basal Belly River, Belly River, Viking and Glauconitic formations.

The Company’s share of estimated net total remaining reserves (proved and probable) is 66 MBOE, 83% of it being natural gas. The estimated reserve life for proven developed producing reserves is seven years, while the estimated reserve life for proven plus probable reserves is 9.8 years.

In this MD&A, production and reserves information may be presented on a barrel of oil equivalent (BOE”) basis with six thousand cubic feet (“MCF”) of natural gas being equivalent to one barrel (“bbl”) of crude oil or natural gas liquids. BOE’s may be misleading, particularly if used in isolation. A BOE conversion ration of 6 MCF: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Partnership with Kuwait Energy Company

In November 2010, the Company entered into an agreement with Kuwait Energy Company (“Kuwait Energy”) to jointly study the unconventional potential of multiple exploration and producing concessions held by Kuwait Energy in the Middle East, North Africa and Eurasia regions. Under the terms of this agreement, the Company will share its unconventional technological resources and expertise with Kuwait Energy to identify unconventional reservoir targets where the application of these technologies can add new unconventional reservoir production. In addition, conventional reservoirs will be studied to determine if the application of certain unconventional technologies can enhance existing production rates and total petroleum recovery from existing producing reservoirs.

The purpose of the agreement is to identify and assess the hydrocarbon potential of unconventional resource plays such as shale gas, shale oil and tight gas sands for future development. Technical studies will include comprehensive rock and formation analyses, state-of-the-art drilling design and modern reservoir fracturing applications for select unconventional and conventional reservoirs. The agreement covers a total of 13 exploration and production licenses across four countries in which Kuwait Energy holds exploration and production participation interests. Total gross acreage covered under the agreement is over 20,000 sq. km. (5,000,000 acres).

Under the terms of this agreement, the Company will have the exclusive right to negotiate to acquire equity-sharing arrangements in the acreage evaluated, to include both unconventional and conventional reservoirs where new and enhanced petroleum reserves are identified.

Headquartered in Kuwait, Kuwait Energy is one of the few independent oil and gas exploration and production companies operating in the Middle East. Kuwait Energy has been profitable since inception in 2005 and currently operates in Egypt, Yemen, Oman, Ukraine, Latvia, Russia, and Pakistan. Kuwait Energy's proven and probable reserves at year end 2009 were 51.2 million barrels of oil equivalent and its current production is ~14,000 barrels of oil equivalent per day.

Romania

The Company has been awarded four exploration blocks, for a total area of approximately 1,000,000 acres, located in the Pannonian Basin, in western Romania. Final ratification of these awards by the Government of Romania is expected to be completed sometime in 2011.

The Pannonian Basin is a prolific, underexplored basin with significant potential for conventional oil and gas as well as opportunities for unconventional shale gas.

The Company is currently seeking partners for its 100% owned blocks, Tria, Baile Felix, Periam and Biled.

Haynesville Prospect, Mississippi

On January 27, 2010, as amended February 23, 2010, the Company entered into a farm-in letter agreement (the "Letter Agreement") with American Exploration Corp. to acquire a 20% interest in the Haynesville shale gas prospect located in Mississippi. The Company was required to pay 20% of the costs of drilling and completion of an initial deep gas well, and pay payments aggregating US $850,000, including a non-refundable deposit of US $75,000. The Company was unable to complete a financing to fund the Letter Agreement and the arrangement was terminated with an additional $80,453 ($75,000) paid to American Exploration Corp.

Mineral Property Interests

The Company previously held a 100% interest in two mineral claims (the "Easy Joe Property") comprising approximately 312 hectares located in the Pemberton-Lillooet area of British Columbia. In February 2010, the Company entered into an agreement with Legion Resources Corp. and sold the Easy Joe Property for $25,000 cash.

Selected Financial Data

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2010			Fiscal 2009				Fiscal 2008
	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $
Operations:								
Revenues, net of royalties	18,958	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(932,579)	(357,305)	(231,563)	(202,774)	(47,082)	(42,605)	(33,141)	(55,854)
Other items	(4,530)	(158,178)	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(918,151)	(515,483)	(231,563)	(202,774)	(47,082)	(42,605)	(33,141)	(55,854)
Basic and diluted loss per share	(0.03)	(0.02)	(0.01)	(0.03)	(0.00)	(0.00)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital (deficit)	2,444,246	376,057	295,002	330,064	(221,120)	(138,408)	(89,344)	(561,751)
Total assets	3,813,371	547,411	516,859	761,970	79,040	43,164	64,659	40,955
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Asset retirement obligations	64,524	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Effective September 1, 2010 the Company completed the purchase of the Carbon Property and, with this acquisition, reported revenues, royalties and operating expenses associated with producing oil and gas wells for the first time. During the nine months ended September 30, 2010 (the "2010 period") the Company reported oil and gas revenues, net of royalties, of $18,958 from the sale of 647 BOE, incurred lease operating costs of $3,881 and recorded depletion of $15,454.

During the 2010 period the Company reported a net loss of $1,665,197 ($0.06 per share), an increase in loss of $1,542,369 from the net loss of $122,828 ($0.01 per share) for the nine months ended September 30, 2009 (the "2009 period"). The overall increase in loss in the 2010 period is primarily attributed to increase in general administrative activities and recognition of stock-based compensation on the granting of stock options. During the 2009 period the Company was deemed inactive.

General and administrative expenses incurred for the nine months ended September 30, 2010 and 2009 are as follows:

	2010 **$**	**2009** **$**
Accounting and administrative	10,500	8,773
Audit	8,500	4,300
Consulting	122,375	-
Corporate development	47,231	-
Management fees	-	45,000
Legal	217,616	24,386
Office	37,694	29,712
Regulatory fees	29,493	8,063
Rent	8,554	-
Salaries and benefits	228,328	-
Shareholder costs	3,365	-
Transfer agent fees	10,770	2,594
Travel	139,892	-
	864,318	122,828

General and administrative expenses of $864,318 were reported for the 2010 period, an increase of $741,490, from $122,828 in the 2009 period. Specific expenses of note during the 2010 period are as follows:

- accounting and administrative fees of $10,500 was charged by Chase Management Ltd. ("Chase") a private corporation owned by Mr. Nick DeMare, a director of the Company. During the 2009 period the Company paid $8,773 to a bookkeeping service;
- consulting fees totalling $122,375 were paid of which $81,000 were paid to a consultant for due diligence on the Romanian properties;
- travel expenses of $138,892 for visits to Europe to raise capital;
- office expenses of $37,694 (2009 - $29,712) were incurred, for costs associated with offices in Calgary and Vancouver;
- salaries and benefits expense of $228,328 (2009 - $nil), of which $68,559 was paid to the current President and $159,769 was paid to the former President;
- audit fees of $8,500 (2009 - $4,300) for the audit of the Company's year-end financial statements; and
- corporate development fees of $47,231 was incurred in the 2010 period for market awareness.

During the 2010 period legal fees were significant due to the negotiation and acquisition of oil and gas properties and the transfer of the Company's listed common shares from NEX to TSXV.

During the 2010 period the Company recorded stock-based compensation expense of $419,458 (2009 - $nil) on the granting and vesting of stock options.

During the 2010 period the Company capitalized $1,220,240 (2009 - $nil) for additions to oil and gas properties and equipment, primarily for the acquisition of the Carbon Property. The Company had also entered into an agreement to acquire a 20% interest in the Haynesville Prospect under which it paid an initial non-refundable deposit of $77,725.

The Company subsequently terminated the agreement and was required to pay a further termination fee of $80,453. See "Oil and Gas Properties" in this MD&A.

During the 2010 period the Company completed a private placement of 13,600,000 units at $0.25 per unit to raise $3,400,000. The Company recorded share issue costs of $534,031 (which includes $206,200 fair value assigned for options to the agent) relating to this financing. A further $1,362,750 was received on the exercise of 12,152,500 warrants. During the 2009 period the Company completed a private placement to raise $500,000.

Financial Condition / Capital Resources

As at September 30, 2010, the Company had working capital of $2,444,246. The Company believes that it currently has sufficient financial resources to conduct anticipated exploration programs and meet anticipated corporate administration costs for the upcoming twelve month period. However, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. In the event that the occasion arises, the Company may be required to obtain additional financing. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

Subsequent to September 30, 2010 the Company received $370,317 from the exercise of warrants and stock options.

Contractual Commitments

The Company has no contractual commitments.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions.

Critical Accounting Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2009.

Changes in Accounting Policies

During fiscal 2009 the Company announced that it intended to utilize the full cost method to account for its investment in oil and gas properties. In fiscal 2010, the Company has determined to adopt the successful efforts method of accounting for oil and gas activities. Under this method costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves are expensed at the moment that the exploratory drilling proves to be unsuccessful. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed as they are incurred. Expenditures for maintenance, repairs and minor renewals necessary to maintain properties in operating condition are expensed as incurred. Costs associated with major replacement and renewals are capitalized when the service potential of the reserves have been enhanced.

Acquired resource properties with proved reserves and capitalized costs of producing oil and gas properties, after considering estimated salvage values, are depreciated and depleted over proved developed reserves using the unit of production method. Acquisition costs of probable reserves are not depleted or amortized while under active evaluation for commercial reserves. Undeveloped land without proved reserves associated with the property is not subject to depletion and is carried at cost. Costs are transferred to depletable costs as proved reserves are recognized.

Oil and gas properties are evaluated by field for potential impairment annually or if a significant event or change occurs. This can include a significant decrease in oil and gas prices, revisions to proved reserves, changes in operating expenses or changes in operating environment. An impairment loss is recognized when the estimated undiscounted before tax future net cash flows of an evaluated asset are less than its carrying value. Unproved oil and gas properties are periodically assessed for impairment after considering the remaining term of the lease, drilling results, the evaluation of geological data and other information.

As the Company had not conducted any oil and gas activities in fiscal 2009, the change in the accounting policy for oil and gas activities had no impact on the Company's financial statements.

Adoption of New Accounting Standards

There were no new accounting standards adopted during the 2010 period.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations,* Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581, *Business Combinations,* and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27, *Consolidated and Separate Financial Statements,* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not expect the adoption of these accounting policies to have a material impact on its consolidated financial statements.

Conversion to International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, the AcSB confirmed that Canadian publicly accountable entities will be required to report under IFRS, which will replace Canadian GAAP for years beginning on or after January 1, 2011.

The Company has developed a conversion plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information relating to 2010.

The conversion project consists of three phases. The table below provides a description and current status of each phase:

Phase	Description	Status
Phase I Preliminary Impact Assessment	This phase involves the high-level identification and assessment of the differences between IFRS and Canadian GAAP that will impact the Company	Completed

Phase	Description	Status
Phase 2 Detailed Evaluation	This phase involves performing a detailed impact assessment of the differences between IFRS and Canadian GAAP, reviewing and approving accounting policy choices, identifying impact on systems and business processes, preparing position papers for areas of significant judgment, quantifying IFRS conversion adjustments and drafting IFRS compliant consolidated financial statements.	The Company has commenced phase 2. Phase 2 is expected to be completed by the end of 2010
Phase 3 Implementation	This phase involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing pro-forma IFRS compliant consolidated interim and annual consolidated financial statements for the 2011 fiscal year including comparatives.	This phase will commence upon the completion of Phase 2.

Based on the work completed to date, the Company expects the greatest potential impact of IFRS adoption to be within the following areas:

1. First-Time Adoption of IFRS ("IFRS 1")

   IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, the Company must apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards. The following optional exemptions have been identified as being applicable to the Company:

   - fair value as deemed cost of items of property, plant and equipment;
   - application date of IFRS 2 Share-based Payment;
   - deemed cost of exploration and evaluation assets and assets in the development and production phase;
   - measuring of and accounting for decommissioning liabilities; and
   - assessment of arrangements containing a lease;

   The Company is currently assessing the impact of applying these exemptions to its financial statements. The remaining elective exemptions have limited or no applicability to the Company.

2. Property, Plant and Equipment

   Canadian GAAP requires the Company to break down its assets into significant components only when practicable. Under IAS 16 - Property, Plant and Equipment, the Company is explicitly required to allocate the amount initially recognized in respect of an item of property, plant and equipment ("PP&E") to its significant components and depreciate separately each of these components. Where a significant component has a useful life and depreciation method that is the same as the useful life and depreciation method of another significant component of the same item of PP&E, such components may be grouped together in determining the depreciation charge. The Company will need to reassess PP&E and determine whether they are appropriately separated into its significant component parts. This may result in additional effort in identifying significant components, allocating cost to these components and adjusting previously recorded depreciation. Modification of the current fixed assets register may be required to accommodate recording components of PP&E and depreciation calculations.

3. Impairment of Assets

   Canadian GAAP impairment testing involves two steps, the first of which compares the asset's carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying value is written down to estimated fair value.

PP&E and intangibles, including goodwill, are tested for impairment in accordance with IAS 36 - Impairment of Assets ("IAS 36"). IAS 36 requires that assets, other than goodwill and indefinite-life intangibles, be subjected to an impairment test if there are indicators of impairment. For goodwill and indefinite-life intangibles, IAS 36 requires that the Company perform impairment tests on an annual basis.

Under IFRS an asset is impaired when the recoverable amount of that asset is less than the carrying amount. If there is any indication that an asset may be impaired, the recoverable amount should be estimated for individual assets. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows (i.e. discounted cash flows) expected to be derived from an asset.

If it is not possible to estimate the recoverable amount for the individual asset other than goodwill, the Company must determine the recoverable amount for the cash-generating unit ("CGU") to which that asset can be allocated. A CGU is the smallest group of assets that generates cash inflows largely independent of other assets or groups of assets. Management is therefore required to determine all of the CGUs of the Company.

Impairment will be recognized more frequently under IFRS as Canadian GAAP does not require the discounting of cash flows when assessing the recoverability of an asset's carrying value. However, IAS 36 requires the reversal of an impairment loss for an asset, other than goodwill, where there is an indication that circumstances have changed and that the impairment loss no longer exists or may have decreased. This is not allowed under Canadian GAAP.

4. Income Taxes

IAS 12 is similar to Canadian GAAP in that the Company has to recognize deferred (future) taxes on temporary differences between the carrying value of assets and liabilities and their tax basis. The adoption of IFRS will have a significant impact on the Company's tax accounting in the period of adoption and in subsequent periods for new temporary differences arising on the conversion to IFRS as a result of changes in carrying values of assets, differences in depreciation expense, residual values, capitalization of borrowing and direct costs and impairment charges and reversals.

Additional IFRS that are expected to require changes, but with potentially lesser impact on existing reporting, are:

- Decommissioning Liabilities - IFRS requires current rates to be used each reporting date to discount the obligation over time, whereas current Canadian GAAP sets the discount rates when the cash flows are estimated.
- Share Based Payments - IFRS requires, that where options vest in tranches each, each tranche must be valued separately and expensed accordingly. Furthermore, IFRS requires an estimate of future forfeitures to be made in valuing the amount of stock-based compensation to be recognized.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period, and as a result, the final impact on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

The Company is currently in the process of assessing the impact on information technology and controls over financial reporting and disclosure. The Company will complete the assessment of the impact to investor relations and external communication plans once the evaluation of the impact to the consolidated financial statements is complete.

Transactions with Related Parties

(a) During the nine months ended September 30, 2010 and 2009 the Company was billed by certain directors and private corporations owned by current and former directors of the Company, as follows:

	2010 $	2009 $
Accounting and administration	10,500	-
Legal	139,894	-
Management fees	-	45,000
Professional fees	36,780	-
Rent	3,790	13,500
	190,964	58,500

The above transactions have either been expensed to operations or recorded as share issue costs based on the nature of the expenditure.

The above transactions have been recorded at the exchange amounts agreed to by the related parties and the Company. As at September 30, 2010 accounts payable and accrued liabilities include $113,079 (2009 - $nil) due to the related parties.

(b) During the nine months ended September 30, 2010 the Company repaid advances of $218,351 to former directors and officers of the Company. The advances were non-interest bearing and were due on demand.

(c) Certain directors, officers and family members of directors and officers purchased 490,000 units of this a private placement.

Risks and Uncertainties

The Company is engaged in the exploration for and development of petroleum and natural gas properties. These activities involve significant risks which careful evaluation, experience and knowledge may not eliminate in some cases. The commercial viability of any petroleum and natural gas properties depends on many factors not all of which are within the control of management. Operationally the Company faces risks that are associated with and affect the financial viability of a given petroleum and natural gas property. These include risks associated with finding, developing and producing these petroleum and natural gas reserves. In addition, Government regulations, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a petroleum and natural gas property.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying audited financial statements.

Any forward-looking information in the MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company and other factors.

Investor Relations Activities

The Company provides information packages to investors; the package consists of materials filed with regulatory authorities. The Company updates its website (www.eastwestpetroleum.ca) on a continuous basis.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at November 22, 2010, there were 52,671,140 outstanding common shares, 4,084,196 stock options outstanding with exercise prices ranging from $0.16 to $0.26 per share, 1,080,000 warrants outstanding with exercise prices ranging from $0.10 to $0.34 per share and 1,031,000 compensation options outstanding with an exercise price of $0.25 per unit, with each unit to comprise one common share and one warrant to purchase an additional share at a price of $0.34 per share on or before September 29, 2013.