EAST WEST PETROLEUM CORP.

(formerly Avere Energy Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Background

This discussion and analysis of financial position and results of operation is prepared as at March 4, 2011 and should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2010 and 2009 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 fiscal 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, Nick DeMare, Hon. Herb Dhaliwal, 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 Dewar - Chairman
Hon. Herb Dhaliwal
Nick DeMare

(iii) Compensation Committee

David Sidoo - Chairman
Hon. Herb Dhaliwal
Nick DeMare

(iv) Technical Committee

Dr. 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 4.1125% 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.

On March 4, 2011 the Company filed an independent reserves and resource evaluation on SEDAR, dated February 23, 2011, relating to the resource base of the Company in the Carbon Property as of December 31, 2010. Prepared by AJM Petroleum Consultants, the report follows all industry standard procedures and is in conformity with the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 ("NI 51-101").

The Carbon Property is located approximately fifty miles northeast of Calgary, Alberta in Township 29, Range 22W4M. Approximately two-thirds of the proved plus probable value discounted at 10% of this property lies in four wells: 00/04-12-029-22W4/2, 00/15-12-029-22W4/0, 00/04-13-029-22W4/0, and 00/06-13-029-22W4/0. The 00/04-12-029-22W4/2 well is a gas well producing from the Glauconitic Formation. This well has been on production since 1990. 00/15-12-029-22W4/0 has been producing gas from the Belly River Formation since 1994. 00/04-13-019-22W4/0 and 00/06-13-029-22W4/0 are both oil wells that are producing from the Glauconitic and Ellerslie Formations respectively. The 00/04-13 well came on stream in 1997 and the 00/06-13 well commenced production in 1993.

Gross and Net Oil and Gas Wells

	Oil		Gas		Non-Producing		Total	
Country/Province	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Canada / Alberta	4.0	0.4	13.0	1.5	1.0	0.2	18.0	2.1
Total	4.0	0.4	13.0	1.5	1.0	0.2	18.0	2.1

*The net wells reported above are based on a before payout interest.

Reconciliation of Company Gross Reserves

Effective: December 31, 2010	Canada								
	Light & Medium Oil			Associated & Non-Associated Gas			Coalbed Methane		
	Proved (Mstb)	Probable (Mstb)	Proved + Probable (Mstb)	Proved (Mstb)	Probable (Mstb)	Proved + Probable (Mstb)	Proved (Mstb)	Probable (Mstb)	Proved + Probable (Mstb)
Opening Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	9.3	5.2	14.5	187.4	92.3	279.7	77.9	32.5	110.4
Production	(0.3)	0.0	(0.3)	(7.0)	0.0	(7.0)	(5.9)	0.0	(5.9)
Closing Balance	**9.0**	**5.2**	**14.2**	**180.4**	**92.3**	**272.7**	**72.0**	**32.5**	**104.5**

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 ratio 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 a Heads of 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 agreement runs for a period of three years.

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.

On December 6, 2010 the Company entered into a sale and purchase agreement whereby the Company has agreed to acquire a 20% participation interest in Burg El Arab field in Egypt from Kuwait Energy for US $17,500,000. Under the terms of the agreement, the Company has made a refundable deposit of US $3,500,000. The closing of the agreement is subject to a number of conditions precedent and regulatory approvals.

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 $77,725 (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 consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Years Ended December 31,		
	2010 $	**2009 $**	**2008 $**
Operations:			
Revenues, net of royalties	72,902	Nil	Nil
Expenses	(2,929,599)	(270,367)	(141,011)
Other items	(194,116)	(55,235)	Nil
Net income (loss)	(3,050,813)	(325,602)	(141,011)
Basic and diluted loss per share	(0.09)	(0.03)	(0.04)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital (deficiency)	26,611,096	330,064	(561,751)
Total assets	32,485,924	761,970	40,955
Total long-term liabilities	Nil	Nil	Nil
Asset retirement obligation	(67,475)	Nil	Nil

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**			
	Dec. 31 $	**Sep. 30 $**	**Jun. 30 $**	**Mar. 31 $**	**Dec. 31 $**	**Sep. 30 $**	**Jun. 30 $**	**Mar. 31 $**
Operations:								
Revenues, net of royalties	53,944	18,958	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(1,408,152)	(932,579)	(357,305)	(231,563)	(202,774)	(47,082)	(42,605)	(33,141)
Other items	(31,408)	(4,530)	(158,178)	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(1,385,616)	(918,151)	(515,483)	(231,563)	(202,774)	(47,082)	(42,605)	(33,141)
Basic and diluted loss per share	(0.03)	(0.03)	(0.02)	(0.01)	(0.03)	(0.00)	(0.00)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

	Fiscal 2010				Fiscal 2009			
	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $
Balance Sheet:								
Working capital (deficit)	26,611,096	2,444,246	376,057	295,002	330,064	(221,120)	(138,408)	(89,344)
Total assets	32,485,924	3,813,371	547,411	516,859	761,970	79,040	43,164	64,659
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Asset retirement obligation	(67,475)	(64,524)	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended December 31, 2010 Compared to Three Months Ended December 31, 2009

During the three months ended December 31, 2010 (the "2010 Quarter") the Company reported a net loss of $1,385,616 compared to a net loss of $202,774 for the three months ended December 31, 2009 (the "2009 Quarter"), an increase in loss of $1,182,842. The primary factor for the increase is an increase in general administration activities as the Company shifted its focus to an emerging energy company trading on the TSXV as a Tier 2 company.

The Company also received production from the Carbon Property, where it reported oil and gas revenues, net of royalties of $53,944 from sale of 1,828 BOE.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

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 year ended December 31, 2010 ("fiscal 2010") the Company reported oil and gas revenues, net of royalties, of $72,902 from the sale of 2,517 BOE, for the four months since aquistion, for an average price of $28.96/BOE incurred lease operating costs of $16,690 ($6.63/BOE) and recorded depletion of $56,250 ($22.35/BOE).

During fiscal 2010 the Company reported a net loss of $3,050,813 ($0.09 per share), an increase in loss of $2,725,211 from the net loss of $325,602 ($0.03 per share) for the year ended December 31, 2009 ("fiscal 2009"). 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 and vesting of stock options.

General and administrative expenses incurred for fiscal 2010 and 2009 are as follows:

	2010 $	2009 $
Accounting and administrative	48,014	19,096
Audit	12,720	24,300
Consulting	508,065	39,213
Corporate development	108,773	-
Management fees	-	58,370
Legal	348,086	60,270
Office	58,586	39,358
Regulatory fees	37,852	9,463
Rent	11,848	-
Salaries and benefits	277,873	13,407
Shareholder costs	5,455	-
Transfer agent fees	17,804	6,890
Travel	453,513	-
	1,888,589	270,367

General and administrative expenses of $1,888,589 were reported for fiscal 2010, an increase of $1,618,222, from $270,367 in fiscal 2009. Specific expenses of note during fiscal 2010 period are as follows:

- accounting and administrative fees of $22,075 was charged by a private corporation owned by a director of the Company and $25,939 to a bookkeeping services. During fiscal 2009 the Company paid $19,096 to a bookkeeping service;

- consulting fees totalling $508,065 were paid of which $257,135 were paid to a consultant for due diligence on the Romanian properties and $135,000 were paid to consultants for financial consulting;
- travel expenses of $453,513 of which $249,378 were for visits to Europe and India to raise capital and $90,363 were visits to Romania for due diligence;
- office expenses of $58,586 (2009 - $39,358) were incurred, for costs associated with offices in Calgary and Vancouver;
- salaries and benefits expense of $277,873 (2009 - $13,407), of which $118,104 was paid to the current President and $159,769 was paid to the former President;
- audit fees of $12,720 (2009 - $24,300) for the audit of the Company's year-end financial statements. The change between fiscal 2009 and 2010 was solely due to the timing of billings of the Company's year-end financial statements; and
- corporate development fees of $108,773 was incurred in the 2010 period for market awareness.

During fiscal 2010 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 fiscal 2010 the Company recorded stock-based compensation expense of $964,714 (2009 - $nil) on the granting and vesting of stock options.

During fiscal 2010 the Company capitalized $1,314,299 (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 (US $75,000). The Company subsequently terminated the agreement and was required to pay a further termination fee of $80,453 (US $75,000). See "Oil and Gas Properties" in this MD&A.

During fiscal 2010 the Company completed private placements of 40,873,000 units to raise gross proceeds of $33,400,300. The Company recorded share issue costs of $2,748,145 of which $490,509 is the fair value assigned for the agent's compensation option and broker warrants relating to the financings. A further $1,803,067 was received on the exercise of 16,095,000 warrants and 223,334 stock options. During fiscal 2009 the Company completed private placements of 20,000,000 units to raise gross proceeds of $1,250,000.

Financial Condition / Capital Resources

As at December 31, 2010, the Company had working capital of $26,611,096. 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.

The Company arranged bridge loan financings totalling US $3,500,000 to provide funding of the deposit for the Company's participation in the Burg El Arab field. The bridge loans bore interest at a rate of 16% per annum and were repayable on demand. The Company subsequently repaid the bridge loans plus interest of $20,399. In addition, the Company issued 669,508 common shares of the Company, at an ascribed value of $707,000, as a bonus to the lenders.

Subsequent to December 31, 2010 the Company received $447,150 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 3 to the annual consolidated financial statements for the year ended December 31, 2010.

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 fiscal 2010.

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 IAS 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 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.	Completed
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.	The Company has commenced Phase 3.

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 fiscal 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	22,075	-
Legal	204,336	-
Management fees	-	58,370
Professional fees	129,370	-
Rent	3,790	17,511
	359,571	75,881

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 December 31, 2010 accounts payable and accrued liabilities include $149,020 (2009 - $nil) due to the related parties.

(b) During fiscal 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 511,000 units of the private placements.

(d) Certain directors of the Company provided US $1,000,000 of the bridge loans.

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 March 4, 2011, there were 82,643,648 outstanding common shares, 4,682,530 stock options outstanding with exercise prices ranging from $0.16 to $1.16 per share, 26,735,595 warrants outstanding with exercise prices ranging from $0.34 to $1.75 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.