

SilverWillow Energy Corporation



**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2012**

April 17, 2013

TABLE OF CONTENTS

INTRODUCTORY INFORMATION	1	Early Stage of Development and Exploration and Development Activities	25
FORWARD-LOOKING INFORMATION	1	Risks Associated with Resource Estimates	25
DEFINITIONS	2	Hydrocarbon Resources	26
GENERAL DEVELOPMENT OF THE BUSINESS	5	Financing Risk	26
Corporate Structure	5	Availability of Credit Facilities and Debt Service	27
History	5	Commodity Price Volatility	27
SILVERWILLOW'S OIL SANDS LEASES	6	Exposure to Counterparties	27
Royalties	8	Personnel	27
Oil Sands Resource Estimates	9	Project Costs	27
Oil and Gas Properties and Wells	10	Lease Tenure	28
Properties with No Attributed Reserves	10	Environmental and Regulatory Approvals	28
Additional Information Concerning Abandonment and Reclamation Costs	10	SAGD Bitumen Recovery Process	28
Tax Horizon	10	Abandonment and Reclamation Costs	28
Costs Incurred	11	Engagement of Stakeholders in Development of the Audet Lands	29
Production History	11	Crude Oil, Bitumen and Natural Gas Prices	29
NARRATIVE DESCRIPTION OF THE BUSINESS	11	Royalty Regime	29
Audet Lands	11	Operational Hazards	30
Birch Mountain Lands	12	Transportation Capacity and Pipelines Interruptions	30
Other Exploration Lands	13	Government Regulation	30
Delineation and Exploration Drilling Program Update	14	Environmental Considerations	31
Specialized Skill and Knowledge	14	Greenhouse Gases	31
Competitive Conditions	14	Sales of Additional Securities	31
Cycles	14	Title Risks	32
Environmental Protection	14	Independent Reviews	32
Community Relations	14	Global Financial Crisis	32
INDUSTRY OVERVIEW	15	Competition	32
EMPLOYEES	17	Foreign Exchange	32
DESCRIPTION OF CAPITAL STRUCTURE	17	Hedging Risks	32
Common Shares	17	Seasonal Weather Patterns	33
Preferred Shares	17	Aboriginal Claims	33
DIVIDEND POLICY	18	Public Perception and Influence on Regulatory Regime	33
MARKET FOR SECURITIES	18	Future Acquisitions	33
DIRECTORS AND OFFICERS OF THE COMPANY	18	Public Market for SilverWillow Shares	34
Interests of Management and Others in Material Transactions	22	MATERIAL CONTRACTS	34
Conflicts of Interest	22	AUDITORS, TRANSFER AGENT AND REGISTRAR	34
AUDIT, RESERVES AND HSE COMMITTEE	22	INTERESTS OF EXPERTS	34
Responsibilities and Terms of Reference	22	ADDITIONAL INFORMATION	34
Composition and Qualifications	22	SCHEDULE A FORM 51-101F2 NI 51-101 AUDIT AND REVIEW REPORT REPORT ON RESOURCES DATA BY INDEPENDENT QUALIFIED RESOURCES EVALUATOR OR AUDITOR	35
Corporate Cease Trade Orders or Bankruptcies	23	SCHEDULE B FORM 51-101F3 - REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE	37
Personal Bankruptcies	24	SCHEDULE C AUDIT, RESERVES AND HSE COMMITTEE MANDATE	38
Penalties or Sanctions	24		
Auditor Fees	24		
LEGAL AND REGULATORY PROCEEDINGS	24		
RISK FACTORS	25		

INTRODUCTORY INFORMATION

Except as otherwise indicated or unless the context otherwise requires the terms "SilverWillow" or the "Corporation" refer to SilverWillow Energy Corporation. In this Annual Information Form ("AIF"), references to "dollars" and "\$" are to the currency of Canada, unless otherwise indicated and all financial information included and incorporated by reference in this AIF is determined using Canadian generally accepted accounting principles ("GAAP").

FORWARD-LOOKING INFORMATION

This AIF contains forward-looking information and forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "forward-looking information"). This forward-looking information is subject to certain risks and uncertainties that could cause actual results to differ materially from those included in such forward-looking information. The words "believe", "expect", "indicate", "intend", "estimate", "anticipate", "project", "scheduled" and similar expressions, as well as future or conditional verbs such as "will", "should", "would", "may" and "could" often identify forward-looking information. This information is only a prediction. Actual events or results may differ materially from the events and results expressed in such forward-looking information. In addition, this AIF may contain forward-looking information attributed to third-party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not occur.

Specific forward-looking information contained in this AIF includes, among others, statements regarding: activities, events or developments that SilverWillow expects or anticipates will or may occur in the future, including assessments of future plans and operations; financial information; financial indemnifications, business plans and plans for the exploration, delineation and development of the Corporation's assets; the work program for the Audet Lands and the Birch Mountain Lands; the expected costs and expenditures associated with exploration, delineation and development of the Corporation's assets; timing and sources of financing; further capital requirements; estimated taxes; the timing of commencement of operations and the level of production anticipated; the operation of facilities; production methods; estimated general financial performance in future periods; the timing of filing regulatory applications; resource estimates; expectations regarding the development and production potential of the Corporation's properties including through the use of emerging technologies; the timing of receipt of required approvals and permits from regulatory authorities; assets, liabilities, financial resources, financial position and growth prospects; cash projections and the components thereof; expectations for uses of funds; and the impact of accounting standards issued for future application on SilverWillow and its financial statements.

Statements relating to 'resources' are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

With respect to forward-looking information contained in this AIF, the Corporation has made assumptions regarding, among other things: the expected costs to explore; future crude oil, bitumen, natural gas and diluents oil prices; the plans of counterparties; SilverWillow's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its demands; the regulatory framework with respect to royalties, taxes, environmental matters, resource recovery and securities matters in the jurisdiction in which SilverWillow will conduct its business; SilverWillow's ability to market production of bitumen successfully to customers; the timing and progress of work relating to assets; continuity of resource between core holes; future production levels; future capital and operating expenditures; future sources of funding for the Corporation's capital and operating expenditures; future debt levels; future business plans; geological and engineering estimates; the geography of the areas in which SilverWillow will be exploring; the impact of increasing competition; SilverWillow's ability to obtain financing on acceptable terms; the risk around change to scope; and the sufficiency of budgeted capital expenditures in carrying out planned activities.

Forward-looking information is subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in such forward-looking information or statements. Such risks, uncertainties and factors include, among others: the early stage of development of assets and the nature of the exploration and development activities on such assets; risks associated with discovered bitumen resources initially-in-place; difficulties attracting qualified personnel; the risk of termination or expiration of leases; relationships with counterparties; the impact of Aboriginal rights or claims; difficulties encountered during the exploration for, delineation, development and production of bitumen; costs associated with exploration for, delineation, development and production and upgrading bitumen; the impact of competition; the need to obtain required approvals and permits from regulatory authorities; liabilities as a result of accidental damage to the environment; compliance with and liabilities under environmental laws and regulations; the volatility of crude oil and natural gas prices and of the differential between heavy and light crude oil prices; the risks associated with exploring for, developing and producing bitumen; changes in the foreign exchange rate amount between the Canadian dollar, the U.S. dollar and the euro; difficulties encountered in delivering bitumen to commercial markets; the risk that SilverWillow is unable to sufficiently protect its proprietary technology or may be subject to technology infringement claims from third parties; general economic conditions in Canada, the United States, and global markets; failure to obtain industry partners and other third-party consents and approvals when required; royalties payable in respect of SilverWillow's production; the impact of amendments to the Income Tax Act (Canada) on SilverWillow; risks of third parties claiming or exercising pre-emptive rights; changes in or the introduction of new government regulations, and in particular related to carbon dioxide relating to SilverWillow's business; uncertainty surrounding the ability to attract capital for both debt and equity when necessary; SilverWillow's financial statements have been prepared on a going concern basis noting the Corporation's cash and cash equivalents at December 31, 2013 are likely not sufficient to fund its operating and investing activities significantly beyond 2013 and until such time that the Corporation is successful in securing financing, there is a material uncertainty that may cast significant doubt as to the ability of the Corporation to continue as a going concern; and circumstances may arise, including changes in IFRS, regulations or economic conditions, which could change assumptions, estimates or expectations of information provided.

Management has included the above summary in order to provide readers with a more complete perspective. Actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, the benefits that SilverWillow will derive there from. All of the forward-looking information contained in this AIF is qualified by these cautionary statements. SilverWillow undertakes no obligation to publicly update or revise any forward-looking information to reflect new information, subsequent events or otherwise, unless so required by applicable securities laws.

DEFINITIONS

Unless as otherwise provided, in this AIF, the abbreviations and terms set forth below have the following meanings:

"**8071667**" means 8071667 Canada Inc., a wholly-owned subsidiary of Teck and exists under the federal laws of Canada.

"**AENV**" means Alberta Environment.

"**Alberta Energy**" means Alberta Department of Energy.

"**Arrangement**" means the arrangement under section 192 of the CBCA on the terms and subject to the conditions set out in a plan of arrangement involving SilverBirch, 8071667, Teck, the shareholders of SilverBirch and the Corporation. Pursuant to the Arrangement, former SilverBirch shareholders received, for each common share of SilverBirch held, cash consideration of \$8.50 as well as one Common Share of SilverWillow.

"**Arrangement Agreement**" means the agreement dated January 8, 2012 among SilverBirch, Teck and 8071667 with respect to the Arrangement, together with all amendments thereto.

"**Athabasca Oil Sands Area**" means the oil sands area defined by the ERCB and published in their June 2012 report entitled "*ST98-2012: Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021*".

"**Audet Lands**" means that portion of the Athabasca Oil Sands Area identified by Lease Agreements 418 and 271, covering 23,040 acres.

"**Audet Report**" means the report dated February 26, 2013 titled "Evaluation of the Discovered Petroleum and Contingent Bitumen Resources of the Audet Lands in the Athabasca Oil Sands Region of Alberta for Silverwillow Energy Corporation (as of December 31, 2012)" providing Sproule's independent evaluation of the resources data for the Audet Lands effective December 31, 2012 and is based on results of the 2011 and 2012 winter drilling programs.

"**barrel**" means barrel or barrels which is/are equal to 0.15899 cubic metres.

"**Birch Mountain Lands**" means that portion of the Athabasca Oil Sands Area identified by Lease Agreements 469, 471, 513, 514, 611, 614, 615, 915 and 003, covering 94,080 acres.

"**bitumen**" means a naturally occurring viscous mixture consisting mainly of pentanes and heavier hydrocarbons. Its viscosity is greater than 10,000 mPa-s (cp) measured at original temperature in the reservoir and atmospheric pressure, on a gas-free basis. Crude bitumen may contain sulphur and other non-hydrocarbon compounds.

"**Board**" means the Board of Directors of the Corporation.

"**CBCA**" means the *Canada Business Corporations Act* and the regulations thereunder, each as may be amended from time to time.

"**Cenovus**" means Cenovus Energy Inc.

"**COGEH**" means the Canadian Oil and Gas Evaluation Handbook which is published by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

"**Common Shares**" means the common share in the capital of the Corporation.

"**contingent resources**" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

"**DPIIP**" is defined in COGEH as that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves, and contingent resources; the remainder is unrecoverable.

"**ERCB**" means the Alberta Energy Resources Conservation Board, formerly known as Alberta Energy and Utility Board.

"**Flow Through Shares**" means Common Shares issued on a "flow through" basis pursuant to the *Income Tax Act* (Canada).

"**Lease Agreement**" means an Oil Sands Lease Agreement with Alberta Energy conveying the rights to the oil sands minerals within a specific geographical boundary and containing terms and conditions relating to the retention of the mineral rights.

"**mineable oil sand**" means oil sand that can be recovered by mining.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**NEB**" means the National Energy Board.

"**oil sands**" means sands and other mineral material containing crude bitumen.

"**Options**" means options to purchase Common Shares granted in accordance with the terms and conditions of the Stock Option Plan.

"**Other Exploration Lands**" means that portion of the Athabasca Oil Sands Area identified by Lease Agreements 422, 423, 042, 043 and 044, covering 57,600 acres.

"**Preferred Shares**" means preferred shares in the capital of the Corporation.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**SAGD**" means steam assisted gravity drainage.

"**Shareholders**" means the holders of Common Shares and "**Shareholder**" means any one of them.

"**Shell**" means Shell Canada Ltd.

"**SilverBirch**" means SilverBirch Energy Corporation.

"**SilverWillow**" means SilverWillow Energy Corporation.

"**Spin-Off Assets**" means the assets described in the Transfer Agreement and transferred to SilverWillow in connection with the Arrangement.

"**Sproule**" means Sproule Unconventional Limited.

"**Stock Option Plan**" means the stock option plan of the Corporation providing for the issuance of options to purchase up to 10% of the Common Shares issued and outstanding from time to time.

"**Suncor**" means Suncor Energy Inc.

"**Teck**" means Teck Resources Limited.

"**Transfer Agreement**" means the agreement between SilverBirch, Frontier Energy Partnership and SilverWillow dated April 4, 2012 pursuant to which, among other things, SilverWillow assumed certain liabilities from SilverBirch and the Spin-Off Assets were transferred to SilverWillow. The complete text of the Transfer Agreement is filed under the Corporation's profile on SEDAR at www.sedar.com.

"**TSX-V**" means the TSX Venture Exchange Inc.

"**TV:BIP**" means a measure of the total volume mined relative to the bitumen in-place and expressed as cubic metres of material mined per cubic metre of bitumen.

"**UTS**" means UTS Energy Corporation.

"WTI" means West Texas Intermediate grade crude oil at a reference sales point in Cushing, Oklahoma, a common benchmark for crude oils.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

GENERAL DEVELOPMENT OF THE BUSINESS

CORPORATE STRUCTURE

Name, Address and Incorporation

SilverWillow was incorporated under the CBCA on January 5, 2012. The registered and records office of SilverWillow is located at 3100, 715 - 5th Avenue SW, Calgary, Alberta, T2P 2X6.

SilverWillow does not have any subsidiaries.

General

SilverWillow's principal focus is the creation of shareholder value through the exploration, evaluation and development of the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands.

SilverWillow is a pre-production oil sands company with a rich portfolio of *in situ* oil sands properties, including a 100% working interest in the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands.

SilverWillow began operations on April 4, 2012 as a newly formed oil sands exploration and development company with assets in Alberta's Athabasca Oil Sands Area. The Corporation was formed in connection with the Arrangement involving the Corporation, SilverBirch, Teck and 8071667. SilverWillow was incorporated for the sole purpose of participating in the Arrangement and did not carry on any active business prior to the closing of the Arrangement. At the close of the Arrangement, 53,480,031 SilverWillow shares were issued to holders of SilverBirch shares.

The Arrangement resulted in SilverWillow receiving a portfolio of oil sands leases comprised of 100% working interest in 174,720 acres in the Athabasca Oil Sands Area of northeastern Alberta. These leases include the Audet Lands, covering 23,040 acres of undeveloped lands which have DPIIP of 1.85 billion barrels, of which 68 million barrels are classified as best estimate contingent resources. The Audet Lands are located 110 kilometres northeast of Fort McMurray, and are approximately 30 kilometres north and north-east of Cenovus' proposed Telephone Lake project and Suncor's Firebag project respectively. In addition, SilverWillow holds 94,080 net acres of exploration lands in the Birch Mountains Lands on the west side of the Athabasca River, and 57,600 net acres of Other Exploration Lands on the east side of the Athabasca River (see "*SilverWillow's Oil Sands Leases*").

HISTORY

2012

On January 5, 2012, SilverWillow was incorporated under the CBCA. SilverWillow was incorporated for the sole purpose of participating in the Arrangement and following completion of that Arrangement, SilverWillow has carried on the business of SilverBirch relating to the Spin-Off Assets.

On April 4, 2012, SilverWillow announced that it began operations as a newly formed oil sands exploration and development company. In connection with the Arrangement, SilverWillow and SilverBirch entered into the Transfer Agreement, effective April 4, 2012. Pursuant to the Transfer Agreement certain assets and liabilities of SilverBirch, including the Spin-Off Assets were transferred to SilverWillow.

On April 18, 2012, SilverWillow granted 3,973,000 Options to directors, officers and employees pursuant to the Stock Option Plan. The Options have an exercise price of \$1.20 per Common Share, vest over three years and expire on April 17, 2019.

On July 3, 2012, SilverWillow announced the appointment of Michael Stevens as Vice President and Chief Financial Officer.

On September 26, 2012, SilverWillow announced a private placement offering, through a syndicate of underwriters, of 3,200,000 Flow-Through Shares at a price of \$1.25 per Flow-Through Share for gross proceeds to SilverWillow of \$4.0 million, and announced the completion of the offering on October 18, 2012.

Subsequent Developments – 2013

On February 25, 2013, SilverWillow released the results of the independent resources evaluation of the Audet Lands effective December 31, 2012 conducted by Sproule. Sproule concluded the DPIIP for the Corporation's 100% working interest in the Audet Lands to be 1,845.9 million barrels as of December 31, 2012, an increase from their previous estimate of 1,689.6 million barrels. Sproule further concluded that the best estimate of contingent bitumen resources for the Audet Lands is 68.4 million barrels at stock tank conditions. See "*SilverWillow's Oil Sands Leases – Oil Sands Resource Estimates*".

On February 27, 2013, SilverWillow granted an aggregate of 984,000 options to officers and employees pursuant to the Stock Option Plan. The Options have an exercise price of \$0.77 per Common Share, vest over three years and expire on February 26, 2020.

By March 30, 2013, SilverWillow had completed its field activities related to its exploration programs on the Audet Lands and Birch Mountain Lands.

On April 17, 2013, the Board authorized the formation of the Audit, Reserves and HSE Committee, in substitution and replacement of the separate Audit Committee and Reserves and HSE Committee. The new Audit, Reserves and HSE Committee consists of four independent directors, Messrs. Roane (Chairman), Mitchell, Watson and Ms. DuPont, all of whom are considered to be "financially literate" pursuant to National Instrument 52-110 – *Audit Committees*. See "*Audit, Reserves and HSE Committee*".

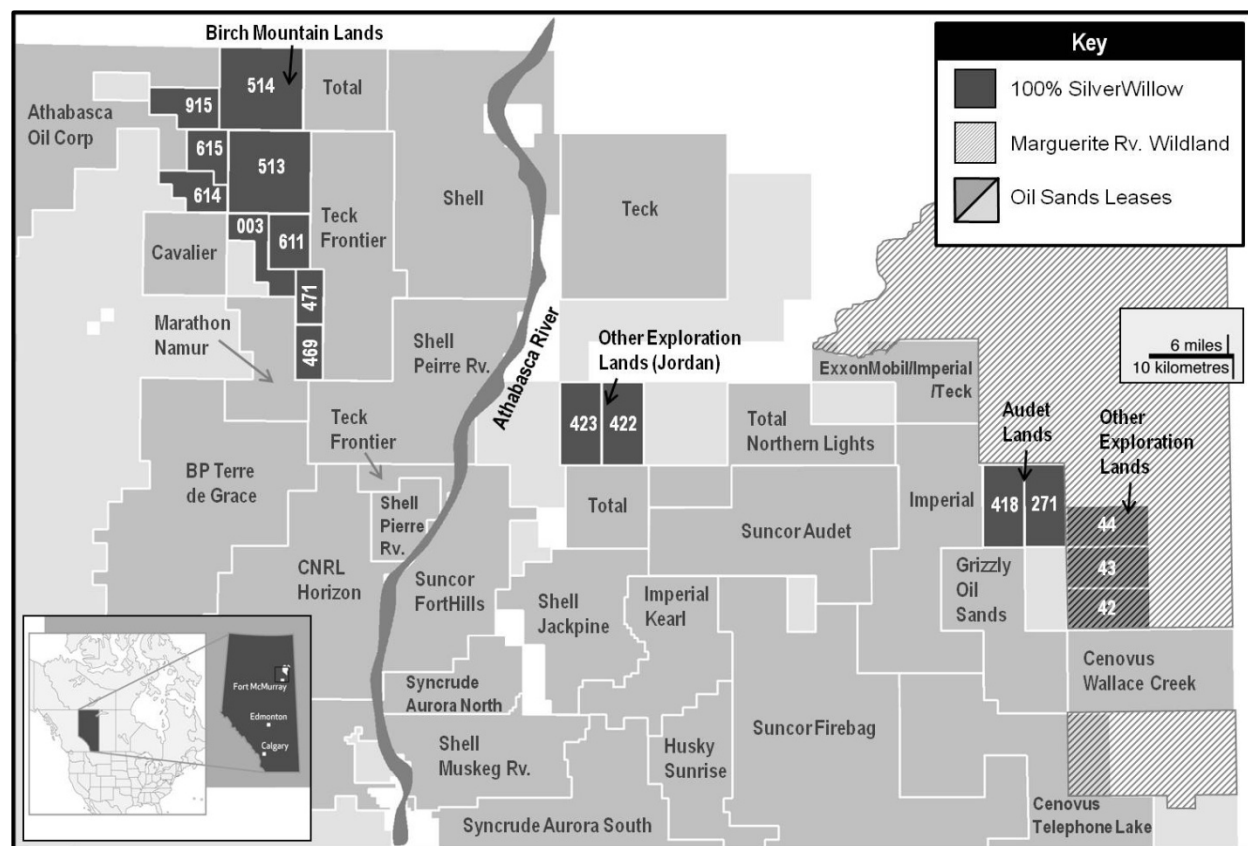
For 2013, SilverWillow intends to continue to focus on activities related to progressing its Audet Lands towards commercial production through the preparation of a design based memorandum for a bitumen production facility, capable of processing 12,000 barrels per day, and preparation and submission of a regulatory application in this regard. With respect to the Birch Mountain Lands, we plan to conduct an exploration drilling program in early 2014, contingent upon results from the seismic program. In addition to working on our current properties, we will continue to consider additional strategic opportunities in the oil sands and heavy oil industry that we believe will yield value to shareholders.

SILVERWILLOW'S OIL SANDS LEASES

SilverWillow currently holds 174,720 net acres of oil sand leases.

Oil Sand Leases	Total Acreage
Audet Lands	23,040
Birch Mountain Lands	94,080
Other Exploration Lands	57,600
Total Leases	174,720

The following map depicts the location of these oil sands leases:



Audet Lands – Leases 418 and 271

The Audet Lands comprise two oil sands leases covering a total area of 23,040 acres of undeveloped lands in the Athabasca Oil Sands Area with *in situ* oil sands potential. These leases were part of the Spin-Off Assets transferred to SilverWillow from SilverBirch in the Arrangement. SilverWillow holds a 100% working interest in each of these leases.

Lease 418, located 110 kilometres northeast of Fort McMurray, is approximately 30 kilometres north and north-east of Cenovus' proposed Telephone Lake project and Suncor's Firebag project respectively, and is 11,520 acres. Lease 418 was purchased in a Crown sale on December 14, 2006.

Lease 271, located 110 kilometres northeast of Fort McMurray, is approximately 30 kilometres north and north-east of Cenovus' proposed Telephone Lake project and Suncor's Firebag project respectively, and is 11,520 acres. Lease 271 was purchased in a Crown sale on August 9, 2007.

Birch Mountain Lands – Leases 469, 471, 513, 514, 611, 614, 615, 915 and 003

The Birch Mountain Lands were also transferred to SilverWillow in connection with the Arrangement. The Birch Mountain Lands are comprised of 94,080 acres of undeveloped lands in the Athabasca Oil Sands Area with *in situ* oil sands potential. SilverWillow holds a 100% working interest in each of these leases.

Leases 469 and 471 are contiguous with and to the west of Leases 468 and 470 and were purchased in a Crown sale on September 6, 2006. Each lease is 5,120 acres for a total of 10,240 acres.

Leases 513 and 514 are contiguous with Lease 840 and were purchased in a Crown sale on November 29, 2006. Each of these leases is 23,040 acres for a total of 46,080 acres.

Leases 611, 614 and 615 are contiguous with the above-noted leases and were purchased in a Crown sale on January 10, 2007. These leases are 7,680, 7,040 and 6,400, respectively for a total of 21,120 acres.

Lease 915 is located directly north of Lease 615 and is 8,320 acres. Lease 915 was purchased at a Crown sale on March 21, 2007.

Lease 003 is contiguous with and to the west of Leases 471, 513 and 611 and is 8,320 acres. Lease 003 was purchased at a Crown sale on November 19, 2008.

Other Exploration Lands – Leases 422, 423, 042, 043 and 044

The Other Exploration Lands were also transferred to SilverWillow in connection with the Arrangement. The Other Exploration Lands are comprised of 57,600 acres of additional exploration lands. SilverWillow holds a 100% working interest in each of these leases.

Leases 422 and 423 are each comprised of 11,520 acres for a total of 23,040. These leases were purchased at a Crown sale on December 13, 2006.

Leases 042, 043 and 044 form a contiguous block, with Lease 044 located immediately east of, and adjacent to, Lease 271 of the Audet Lands. Leases 042, 043 and 044 were purchased in a Crown sale on March 10, 2011 and each lease is 11,520 acres, for a total of 34,560.

Royalties

The Government of Alberta requires royalties be paid on the production of natural resources from lands for which it owns the mineral rights. On October 27, 2007, the Government of Alberta announced a revised royalty regime to apply to conventional oil and gas production and oil sands production. This oil sands regime, which came into effect on January 1, 2009 has a stronger linkage to oil prices than the previous regime.

Under this royalty regime, in respect of oil sands projects having regulatory approval, a minimum royalty of 1% of gross bitumen revenue is payable prior to the payout of specified allowed costs, including certain exploration and development costs, operating costs and a return allowance. This minimum pre-payout royalty will increase for every dollar that the world oil price, as reflected by the WTI crude oil price in Canadian dollars, is priced above \$55 a barrel, to a maximum of 9% when the WTI crude oil price is \$120 a barrel or higher. Once such allowed costs have been recovered, a minimum royalty of 25% of net bitumen revenue (calculated as being gross bitumen revenue less operating costs and additional capital expenditures incurred since payout ("net royalty")) is levied. This minimum net royalty will increase for every dollar the WTI crude oil price is above \$55 a barrel to a maximum of 40% when the WTI crude oil price is \$120 a barrel or higher. The Government of Alberta also revised current rules and enforcement procedures with a view to clearly defining what expenditures will qualify as specified allowed costs. The Government of Alberta also provided new guidelines for valuing bitumen that is processed through integrated upgraders.

As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind, as it does currently for conventional oil production. In February 2011, the Government of Alberta announced that it had entered into contracts to commercially upgrade and refine a portion of its bitumen royalty in-kind volumes to higher value products.

SilverWillow is responsible for the proportion of the royalty consistent with its working interest. The royalty payments required under the terms of this agreement are current.

On March 11, 2010, the Government of Alberta announced regulatory and fiscal changes for the oil and gas sector which had no impact on oil sands project royalties.

Oil Sands Resource Estimates

The preparation and disclosure of the reported resource estimates are the responsibility of the Corporation's management with approval by the Corporation's Audit, Reserves and HSE Committee. Sproule's responsibility is to express an opinion on the discovered petroleum initially-in-place and on the contingent resources data based on the evaluations and review. Sproule carried out the evaluations and review in accordance with standards established by NI 51-101 which require that the resource estimates be prepared in accordance with COGEH.

Sproule's work included a geological evaluation and an engineering review of work conducted by SilverWillow's independent consultants with respect to caprock integrity tests and reservoir simulation studies to determine the potential for production of bitumen using SAGD methods. Sproule carried out the evaluations and reviews and prepared the Audet Report in accordance with standards established by NI 51-101. Those standards require that the bitumen-in-place and contingent resources data be prepared in accordance with COGEH.

In the Audet Report, Sproule estimated the DPIIP to be 1,845.9 million barrels. In addition, Sproule classified 68.4 million barrels of the above-discovered resource as best estimate contingent resources. SilverWillow is currently engaged in the engineering design of a pilot and a commercial project. It is, therefore, premature to evaluate the economic viability of the project at this time. Consequently, Sproule assigned an economic status of "undetermined" to the contingent resources assigned to the Corporation's Audet Lands.

The Report on Resources Data by Independent Qualified Resources Evaluator or Auditor in the form of Form NI 51-101F2 is set forth in Schedule A of this AIF. The Corporation's Report of Management and Directors on Oil and Gas Disclosure substantially in the form of Form NI 51-101F3 is set forth in Schedule B of this AIF.

SilverWillow Energy Corporation Contingent Bitumen Resources¹ as of December 31, 2012

	Developable-Original- Bitumen-In-Place (MMbbl)	Recoverable- Bitumen-In-Place (MMbbl)	Recovery Factor (%)
Low Estimate	58.1	29.0	49.9
Best Estimate	123.6	68.4	55.3
High Estimate	311.5	173.9	55.8

(1) The term "contingent resources" is taken from COGEH. The volumes listed in the chart above entitled, "Contingent Bitumen Resources" refer to potentially recoverable volumes of bitumen resources. The volumes of contingent bitumen resources in the above chart are presented in millions of barrels at stock tank conditions. There is no certainty that it will be commercially viable to produce any portion of the contingent bitumen resources.

The preparation and disclosure of the reported resource estimates are the responsibility of SilverWillow's management and require approval by the Corporation's Audit, Reserves and HSE Committee and Board. Sproule's responsibility is to express an opinion on the discovered petroleum initially-in-place and on the contingent resources data based on the evaluations and review. Sproule carried out the evaluations and review in accordance with standards established by NI 51-101 which require that the resource estimates be prepared in accordance with COGEH.

DPIIP (equivalent to Discovered Resources) is defined in COGEH as that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves, and contingent resources; the remainder is unrecoverable.

Contingent Resources are defined in COGEH as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early project stage.

With respect to the Contingent Resources associated with SilverWillow's Audet Lands, the contingencies which prevent the classification of these resources as reserves are: the need for a pilot to verify the effectiveness of the McMurray Formation shales as caprock for steam containment during the SAGD operation; the absence of regulatory approvals for future commercial development; the absence of a firm commercial development plan; and the uncertainty of funding approval for commercial developments. These contingencies may not be resolved in the manner or on the timeline anticipated or at all.

Discovered resources and contingent resources do not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the discovered resources or of the contingent resources on the Audet Lands.

Oil and Gas Properties and Wells

As at the date hereof, SilverWillow has no material interest in any producing oil or gas well.

For a description of SilverWillow's principal properties see "*Narrative Description of the Business*".

Properties with No Attributed Reserves

There are no reserves attributable to the current assets held by SilverWillow and the production, gross revenue, royalty expenses, production costs and operating income associated with such assets has been nil for the past three financial years.

As at the date hereof, SilverWillow has an interest in 174,720 acres of unproved oil sands properties, all of which are located in Alberta, Canada. SilverWillow does not expect that any of its rights to explore, develop and exploit its properties will expire within one year.

There are no work commitments relating to the SilverWillow assets to date.

See "*Risk Factors - Early Stage of Development and Exploration and Development Activities*" for a discussion on the economic factors and uncertainties that affect the anticipated development and production activity on properties with no attributed reserves

Additional Information Concerning Abandonment and Reclamation Costs

SilverWillow uses low impact winter access and drilling methods. All road access and core hole sites are developed on frozen ground using ice roads and drilling pads made of ice, with minimal disturbance to surface soils. SilverWillow relies on natural re-vegetation processes to reclaim access roads and core hole sites. Costs to replace any slash and natural woody debris over the access roads and core hole sites are budgeted and expensed within the annual exploration budget and, the associated work conducted during demobilization of annual exploration activities. Re-vegetation of core hole sites are monitored as per AENV Directive SD 2010-01 "Coal and Oil Sands Exploration Reclamation Requirements" guidelines and any non-performing areas are retreated or scarified during winter activities so that natural vegetation can establish on the site. Consistent with the policies of Alberta Environment and Sustainable Resource Development, SilverWillow applies for reclamation certificates after three growing seasons following completion of all activities within the area to remove any further reclamation liability to SilverWillow. SilverWillow does not currently own any producing oil or gas wells, production facilities or pipelines.

Tax Horizon

Given that it is still in the early development stages, it is not possible for SilverWillow to estimate when taxes may become payable.

Costs Incurred

The following table summarizes capital expenditures (including costs that were capitalized or charged to expense when incurred) incurred by SilverWillow for the period ended December 31, 2012.

	Capital Expenditures for the period ended December 31, 2012 (Cdn\$millions)
Spin-Off Assets transferred to SilverWillow via Transfer Agreement	95
Property acquisition costs: Unproved properties	-
Exploration costs	4
Total	<u>99</u>

Production History

There has been no production from any of SilverWillow's properties to date.

NARRATIVE DESCRIPTION OF THE BUSINESS

AUDET LANDS

Overview

In early 2011, a preliminary exploration drilling program was conducted on two of SilverBirch's oil sands leases, 418 and 271, known as the Audet Lands. The Audet Lands, which cover 23,040 acres of undeveloped lands in the Athabasca Oil Sands Area, are owned 100% by SilverWillow and are located 110 kilometres northeast of Fort McMurray, and are approximately 30 kilometres north and north-east of Cenovus' proposed Telephone Lake project and Suncor's Firebag project, respectively.

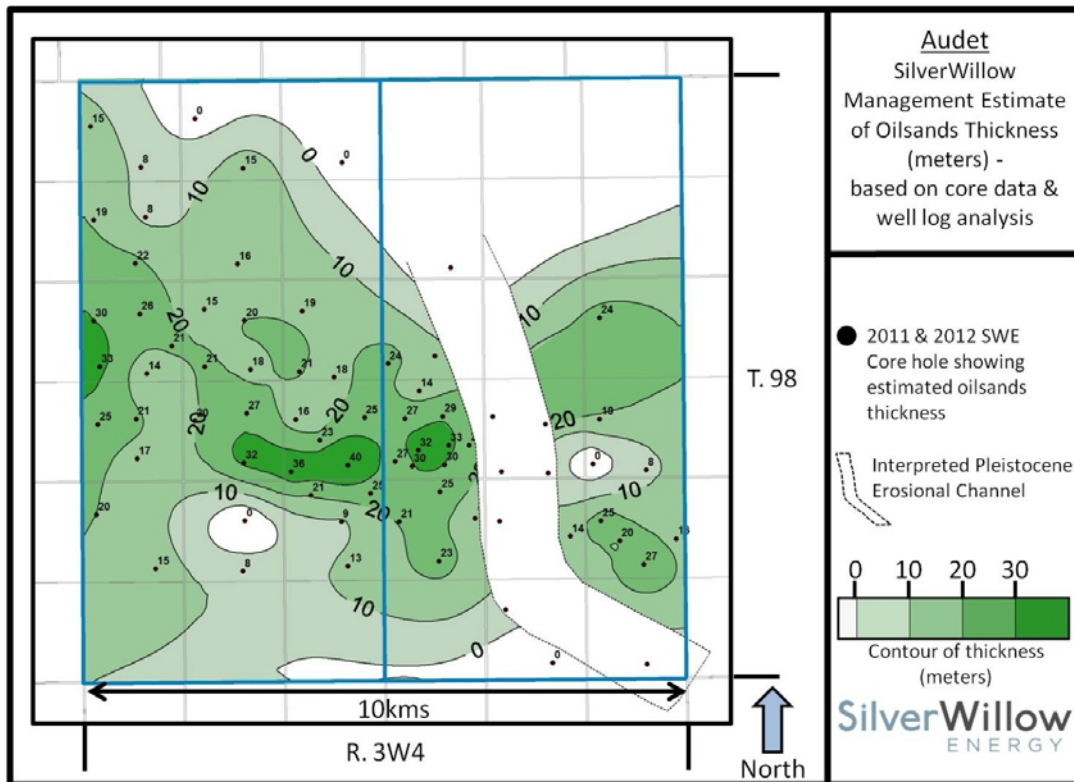
A total of 34 core holes were drilled to evaluate the reservoir quality and bitumen characteristics, to define the extent of the bitumen resource and to provide an initial indication of the caprock extent and integrity for assessment of potential recovery processes. An initial review of the results from the drilling program, and subsequent detailed laboratory analyses of the core samples recovered, indicated that the oil sands deposit on the Audet Lands is of very high quality. Results from all core samples exhibiting minimum six mass-percent bitumen showed an average porosity of 35%, an average bitumen saturation of 81%, and excellent permeabilities.

Based on this significant discovery, Sproule was engaged to provide a technical assessment of the original bitumen-in-place volumes in the Audet Lands. As a result of this assessment, Sproule has estimated the discovered bitumen initially in place resource to be 1,690 million barrels. This technical assessment, effective September 30, 2011, was based on the 2011 winter drilling program and was prepared in accordance with NI 51-101 and COGEH and can be found in the Corporation's listing application on www.sedar.com.

2012

Building on the success of the 2011 program, a second winter field program was undertaken during the first quarter of 2012. This program comprised further resource delineation drilling; additional caprock evaluation, including mini-frac tests; hydrogeological evaluation; and a 2D seismic acquisition program. This field program was designed to address technical considerations to determine the development potential of the leases. All components of the program were successfully completed. The following map provides further details of the results from the Audet resource drilling programs.

**Contour Map Showing Estimate of Oil Sands Thickness
Based on Core Data and Well Log Analysis**



During 2012, SilverWillow also engaged geo-mechanical engineering and reservoir engineering consultants to assist the Corporation in the assessment of the Audet Lands for the production of bitumen by SAGD methods. The results of the technical work by the consultants indicate that the reservoir and caprock properties will allow production by SAGD methods at appropriate pressures without compromising the integrity of the caprock. Additional studies will be undertaken to properly assess the spatial extent of the caprock and the requirement for a small-scale pilot test to demonstrate steam containment under operating conditions.

During the third quarter of 2012, SilverWillow initiated planning of a supplementary winter field program on its Audet Lands. The program scope included the drilling of approximately ten core holes for exploration and delineation purposes. Construction of winter access to the Audet site commenced in mid- December 2012 with drilling of the first core hole in early February 2013. The program was completed in mid-March. SilverWillow acquired additional caprock data during the 2013 exploration program and is in the process of determining the cost of a small steam containment pilot test for the Audet Lands. This will provide important field data regarding performance of the caprock, and will assist in the design of SilverWillow's proposed 12,000 barrel per day SAGD development project.

SilverWillow is presently preparing a regulatory application for the 12,000 barrel per day production facility at the Audet Lands for submission in the second half of 2013. Engineering and regulatory consultants have been retained and are in the process of preparing a preliminary engineering design and cost estimate for the production facilities and infrastructure, wells and well pads, and to conduct an environmental assessment for the regulatory application. Assuming typical timelines for regulatory approval and facilities construction, it is anticipated that first oil from a SAGD project will be produced in late 2016 or early 2017.

BIRCH MOUNTAIN LANDS

The Birch Mountain Lands are comprised of nine leases, leases 03, 469, 471, 513, 514, 611, 614, 615 and 915, that were acquired at Crown land sales over a two-year period between September 2006 and November 2008 by UTS and Teck. UTS transferred its 50% ownership to SilverBirch as a result of the

plan of arrangement between UTS, Total E&P Canada Ltd. and SilverBirch. The leases were subsequently completely transferred to SilverWillow as a result of the Arrangement. The Birch Mountain Lands total 94,080 acres and are immediately west of Teck's Frontier Oil Sands Mining Project.

Overview

During the 2006/2007 and 2007/2008 winter seasons, a total of 25 oil sands evaluation core holes were drilled on the Birch Mountain Lands. Of these, 18 core holes were shallow evaluation holes which were drilled in the lower elevation sections of the leases, within the Athabasca River valley. Sixteen of the 18 shallow core holes encountered oil sands, and seven of these encountered oil sands with thicknesses between 10m and 25m and within a depth interval of 35m to 200m below surface. The oil sands occur in both the Wabiskaw and McMurray formation, and are not continuous intervals. Additional exploration drilling and evaluation will be required to determine the extent of the resource and potential recovery methods.

In early 2008, a preliminary exploration program on the higher elevations of the Birch Mountain Lands was conducted. This program consisted of field acquisition of approximately 100 kilometres of 2D seismic data and the drilling of a total of seven core holes on leases 471, 513, 614, 615, and 915. Based on core analysis, all seven of these core holes encountered oil sands with gross thickness ranging from six metres to 30 metres. However, current well control is very sparse and additional exploration programs, comprising both seismic and drilling, will be required to identify prospective areas with sufficient in-place bitumen volumes and reservoir continuity and quality, necessary for *in situ* production potential.

Bitumen resources in the Birch Mountain Lands are contained within the Lower Cretaceous McMurray Formation and the overlying Wabiskaw Member of the Clearwater Formation. The depth to the Wabiskaw and McMurray Formation oil sands in the area varies from 150 metres in the Athabasca River Valley in the east to 550 metres on the top of the Birch Mountain Lands in the west. The nearest producing *in situ* development project to the Birch Mountain Lands is Suncor's MacKay River project, which is located approximately 85 kilometres south of the Birch Mountain Lands and which uses SAGD to produce from the McMurray Formation.

Since 2008, no additional exploration activity has been carried out on the Birch Mountain Lands, which are at an early stage of evaluation. At this time, no resource estimates have been attributed to this property.

In the second quarter of 2012, SilverWillow completed a desktop geological study of the Birch Mountain Lands in order to identify locations for a 2D seismic program. The data from the program will provide the information required to design a future oil sands exploration drilling program. Planning for the seismic program was completed in late 2012 and field work commenced in January 2013. SilverWillow completed the field component of the program in the first quarter of 2013, with results from interpretation of the data expected in the third quarter of 2013. Based upon these results, we plan to conduct an exploration drilling program on these lands in early 2014.

OTHER EXPLORATION LANDS

Overview

In addition to the leases relating to the Audet Lands and the Birch Mountain Lands, SilverWillow holds a 100% working interest in 57,600 acres of additional exploration land.

Leases 042, 043 and 044 form a contiguous block, with Lease 044 located immediately east of, and adjacent to, Lease 271 of the Audet Lands and, therefore, these lands have resource potential; however, surface access is not currently permitted as they are located in a wildland park, and there can be no certainty that access will be permitted in the future. There are five legacy wells that were completed on these lands in the 1970's with three of the wells indicating oil sands thickness equal to or greater than twenty meters.

Eight core holes were drilled on Leases 422 and 423, collectively the Jordan Lands, during the 2006/2007 and the 2008/2009 winter seasons to provide an initial evaluation of the resource potential. Of the eight core holes drilled, one encountered oil sands, with a thickness of 30 metres and at a depth of 45 metres.

Additional exploration drilling and evaluation will be required to determine the extent of the resource and potential recovery methods. At this time, no resource estimates have been attributed to this property.

DELINEATION AND EXPLORATION DRILLING PROGRAM UPDATE

The following table represents the core holes drilled on SilverWillow's leased lands to date:

Oil Sands Leases	Total Core Holes Drilled¹
Audet Lands	72
Birch Mountain Lands	25
Other Exploration Lands	8
Total	105

Note:

1. The numbers in this table represent only resource core holes drilled since 2006 by UTS, SilverBirch and SilverWillow.

SPECIALIZED SKILL AND KNOWLEDGE

The SilverWillow management team has significant expertise in the execution of large energy projects in remote locations. Over the past six years, SilverWillow management (formerly of SilverBirch and UTS) has gained significant geological and operations experience in the Athabasca Oil Sands Area through repeated exploration programs. In addition, the SilverWillow management team provides technical expertise in the areas of geology, mine engineering, process design, environmental and regulatory management, construction and field operations.

COMPETITIVE CONDITIONS

The oil and natural gas industry, which includes the oil sands industry, is intensely competitive in all its phases. SilverWillow competes with numerous other participants for access to capital to fund its exploration, delineation and development activities. It also competes with other participants in the search for exploration and development prospects. SilverWillow believes that its competitive position is currently equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

CYCLES

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, all of the oil sands leases in which SilverWillow currently has an interest are inaccessible during certain non-winter months because the access to the sites, and certain areas within the sites, consist of poorly-drained terrain. These conditions can affect the ability to conduct exploration and delineation drilling on SilverWillow's properties.

ENVIRONMENTAL PROTECTION

Oil sands exploration and development activities are regulated by environmental legislation including the *Water Act* (Alberta), the *Oil Sands Conservation Act* (Alberta) and the *Environmental Protection and Enhancement Act* (Alberta). SilverWillow management has experience in conducting extensive exploration activities while protecting the environment and complying with all of the relevant regulations. Exploration activities are conducted in winter using low impact disturbance techniques to minimize environmental impacts and associated liabilities. Costs associated with reclamation of exploration activities are budgeted and expensed annually as part of the exploration budget. To minimize future liabilities, all reclamation activities which can be practicably completed are undertaken at the time of demobilization of the winter program. In addition, there is regular monitoring during the summer season of the progress of re-vegetation to identify any follow-up work which may be required.

COMMUNITY RELATIONS

SilverWillow has an active community relations program with a dedicated team focused on the communities of Fort Chipewyan and Fort McKay, the two closest communities to the Audet Lands and

other exploration lands in the Athabasca Oil Sands Region. The role of the community relations team is to carry out regulatory consultations, build relationships and seek opportunities to provide the community with support in undertaking activities that contribute to community growth, development and community member well-being.

Community programming has been focused on finding high-value low-cost activities that support the general objectives of the community. SilverWillow has been looking for opportunities to support the community in accomplishing their own identified goals and objectives by supporting community driven initiatives.

SilverWillow is committed to partnering and working with local communities, local interest groups, local companies and other users of the lands to foster good neighbour relationships and to identify win-win opportunities by working together.

INDUSTRY OVERVIEW

The following is a brief summary of the economic and energy market conditions encountered in conducting operations in Alberta's oil sands industry. The industry related information in this section has been taken from public sources.

Description of the Oil Sands Industry

Oil sands are composed primarily of sand, bitumen, clay minerals and water. Bitumen, in its raw state, is a heavy, viscous, crude oil. Generally bitumen is produced through either *in situ* recovery or truck and shovel open pit mining. *In situ* recovery takes place both by primary development, similar to conventional crude oil production, and by enhanced development whereby generally the reservoir is heated to reduce the viscosity of the bitumen, allowing it to flow to a vertical or horizontal wellbore. Currently, there are three main methods for producing *in situ* bitumen: primary production, cyclic steam stimulation and SAGD. For oil sands open pit mining projects, once mined the bitumen is separated from the sand and clay with hot water in the extraction plant and subsequently cleaned in a froth treatment processing plant.

In situ production is different compared to production of bitumen by mining in several other ways, including the smaller scale of development that is typically associated with *in situ*. Mining projects generally require a scale in the order of at least 80,000 to 100,000 barrels per day to be economically viable whereas *in situ* production schemes are often in the range of 10,000 to 30,000 barrels per day. This allows a smaller scale of development whereby the costs of projects are generally more manageable. Smaller phases of production allow learnings and new technologies to be incorporated more readily into subsequent phases. Regulatory and construction timelines are also generally much shorter than those experienced in mining projects allowing production and cash flow to occur sooner to support the expansion of additional phases.

Bitumen is currently sold in two principal forms: either as nonupgraded or upgraded bitumen. Nonupgraded bitumen refers to crude bitumen that is blended with a lighter viscosity product (referred to as a diluent) in order to meet specifications for transport through pipelines. Upgraded bitumen refers to the portion of crude bitumen production that is upgraded to synthetic crude oil or other petroleum products. Most upgraded bitumen is used by refineries as feedstock. Nonupgraded bitumen has many characteristics similar to, and is generally priced like, conventional heavy oil. Upgraded bitumen, depending on the level of upgrading it has undergone, has many characteristics similar to, and is generally priced like, conventional medium to light oil.

In the ERCB's most recent report entitled "*Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021*"¹, published in June 2012, the ERCB states that the Alberta in-place bitumen volume (specifically referring to the Athabasca, Peace River and Cold Lake Oil Sands Areas of Alberta) is

¹ The remainder of the information set forth under the heading "Industry Overview – Description of the Oil Sands Industry" including all tables and figures is derived from the ERCB report entitled "ST98-2012: Alberta's Energy Reserves 2011 and Supply/Demand Outlook 2012-2021", published in June 2012. Readers are urged to consult the full text of the report which is available on the ERCB website at www.ercb.ca.

approximately 1,844 billion barrels, of which approximately 315 billion barrels are ultimately potentially recoverable.

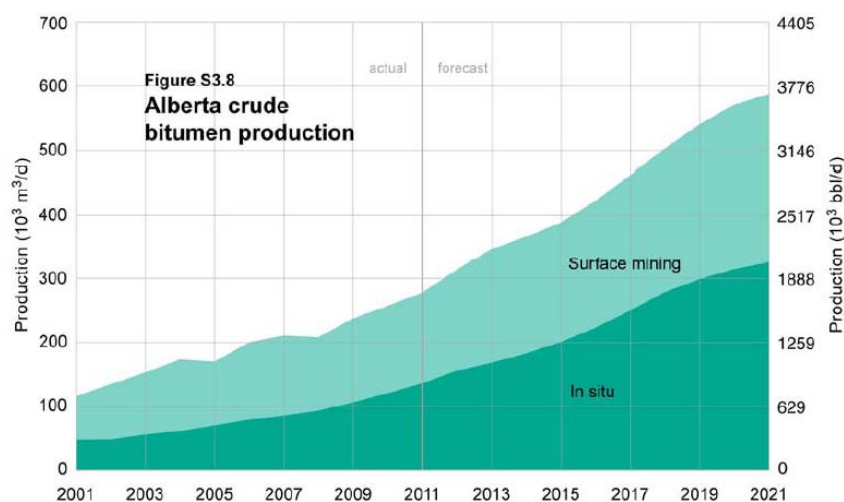
To date, mineable oil sands reserves comprised a relatively small portion of total oil sands reserves, 34 billion barrels or about 20% are considered recoverable by surface mining and the rest, some 135 billion barrels are considered recoverable by *in situ* methods. In contrast, the ERCB notes that approximately 65% of the remaining established mining reserves are currently being developed, while less than 3% of the remaining established *in situ* reserves have reached development stage.

In-Place Volumes and Established Reserves of Crude Bitumen (billion of barrels)

Initial Recovery Method	Initial Volume in-place	Initial Established Reserves	Cumulative Production	Remaining Established Reserves	Remaining Reserves Under Active Development	Ultimate Potential Recoverable
Mining	131	39	5	34	22	69
In situ	1,713	138	3	135	3	245
Total	1,844	177	8	169	25	315

Bitumen Production within the Athabasca Oil Sands Area²

In 2011, Alberta produced 326 million barrels from the mineable area and 311 million barrels from the *in situ* area, totalling 637 million barrels. This is equivalent to 1.7 million barrels per day. The ERCB projects that total raw bitumen production will reach 3.7 million barrels per day by 2021, as illustrated in the chart below. Of that number, *in situ* crude bitumen production will account for over 2.0 million barrels per day, by 2021. Production from *in situ* bitumen projects is projected to surpass that of bitumen from mining projects by 2015. The ERCB's current forecast has increased primarily due to the addition of new proposed projects and the accelerated development schedules for existing and approved projects. The increase in forecasted production is a result of relatively high oil prices and the availability of foreign capital investment. In addition, factors which may affect the pace of development have been considered, such as the availability of labour and equipment.



The forecast of crude bitumen and upgraded bitumen production relies heavily on information provided by project proponents. This includes data on production capacity submitted during a project's application

² *Supra*, (ERCB) above.

process, in addition to other publicly available materials such as quarterly reports, presentations, and press releases, which provide information on schedules for bringing the resource on stream. A project's viability depends largely on the cost-price relationship between production, operation and transportation costs (supply), and the market price for bitumen and upgraded bitumen (demand). Other factors include the refining capacity to handle bitumen or upgraded bitumen and competition with other sources of supply in U.S. and Canadian markets. The forecasts for crude bitumen and upgraded bitumen include production from existing projects, expansions of existing projects, and new projects that have been granted approval. Demand for upgraded bitumen and nonupgraded bitumen in Alberta is based on refinery demand and transportation needs. Alberta upgraded and nonupgraded bitumen supply in excess of Alberta demand is marketed outside the province.

Outside Alberta, the demand for Alberta nonupgraded and upgraded bitumen is influenced by many factors, including the price differential between light and heavy crude oil, the expansion of refineries currently processing nonupgraded and upgraded bitumen, the altering of current light crude oil refineries to process nonupgraded and upgraded bitumen, and the availability and price of transportation to ship nonupgraded and upgraded bitumen, as well as the availability of diluent for shipping nonupgraded bitumen.

With resurgent light oil supplies in western Canada and the U.S. Midwest, and an oversupplied U.S. Midwest market, discounting of nonupgraded and upgraded bitumen, and western Canada light oil is expected to continue in the short term. The largest export markets for nonupgraded and upgraded bitumen from Alberta have traditionally been the U.S. Midwest, with a refining capacity of 3.7 million barrels per day, and the U.S. Rocky Mountain region, with a refining capacity of 0.6 million barrels per day. However, these markets are now currently oversupplied due to the increase in light oil production and limited pipeline capacity to other markets. As such, there is increasing interest in accessing other market regions going forward. Among the other regions is the U.S. Gulf Coast, with a refining capacity of 8.6 million barrels per day. Access to this region is of particular importance for nonupgraded bitumen, as this region has traditionally been served by heavy oil and maintains refineries capable of handling nonupgraded bitumen.

EMPLOYEES

At December 31, 2012, the Corporation had a total of nine full-time employees.

To proceed with the Audet Lands, the Birch Mountain Lands and to develop the Other Exploration Lands, the Corporation may require additional experienced employees and third party expertise.

The Corporation's recruitment activities with respect to skilled staff are considered by management to have been very successful. Management does not anticipate significant difficulty in recruiting the appropriate individuals and securing qualified contractors in the future.

DESCRIPTION OF CAPITAL STRUCTURE

COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per Common Share at meetings of the Shareholders and, upon liquidation, dissolution or winding up, to share pro rata in the remaining assets of the Corporation. As at December 31, 2012, the Corporation had 56,680,031 Common Shares issued and outstanding. As at the date of this AIF, there are 56,680,031 Common Shares issued and outstanding.

PREFERRED SHARES

SilverWillow is authorized to issue an unlimited number of Preferred Shares. The Preferred Shares may be issued in one or more series upon such terms as determined by the Board. The Preferred Shares of each series, with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up, rank in parity with the Preferred Shares of every other series and

are entitled to preference over the Common Shares. As at the date of this AIF, there are no Preferred Shares outstanding.

DIVIDEND POLICY

No dividends have been paid on the Common Shares since the date of incorporation. The Corporation does not currently have a policy with respect to the payment of dividends. The payment of dividends in the future will be dependent upon the earnings and financial condition of the Corporation and on such other factors as the Board considers appropriate.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX-V under the symbol "SWE". The following table sets out the price range, closing price, weighted average closing price and the trading volume of the Common Shares on a monthly basis for the second, third and fourth quarter of 2012 and the first quarter of 2013 (as SilverWillow commenced trading on April 4, 2012), as reported by Bloomberg.

<u>For 2012</u>	<u>High \$</u>	<u>Low \$</u>	<u>close \$</u>	<u>Weighted Average Price \$</u>	<u>Volume (millions)</u>
April	1.64	1.02	1.50	1.49	6,584,476
May	1.62	1.22	1.23	1.24	820,509
June	1.23	0.95	0.95	0.99	671,640
July	1.17	0.94	1.05	1.03	395,015
August	1.20	1.00	1.05	1.05	175,442
September	1.10	0.98	1.04	1.06	282,099
October	1.19	1.01	1.05	1.04	293,063
November	1.09	0.80	0.85	0.82	340,704
December	0.90	0.69	0.89	0.79	465,510
<u>For Q1 2013</u>	<u>High \$</u>	<u>Low \$</u>	<u>close \$</u>	<u>Weighted Average Price \$</u>	<u>Volume (millions)</u>
January	1.00	0.75	0.97	0.99	733,220
February	0.97	0.70	0.72	0.72	284,212
March	0.80	0.66	0.70	0.70	203,779

DIRECTORS AND OFFICERS OF THE COMPANY

The following table lists the names of the directors and officers of SilverWillow, their residence, positions and offices with SilverWillow and principal occupations during the last five years. Each of the directors holds office until the next annual meeting of Shareholders or until their successors are duly elected or appointed.

<u>Name and Province/State and Country of Residence</u>	<u>Position(s) with SilverWillow</u>	<u>Year First Became a Director</u>	<u>Principal Occupation(s) and Employment History for the Past Five Years</u>	<u>Number of Common Shares Held Directly or Indirectly</u>
Directors				
Gregory A. Boland Ontario, Canada	Director	2012	President and CEO of West Face Capital Inc., a Toronto based investment manager, since June 2005.	8,927,426 ⁽⁶⁾

Name and Province/State and Country of Residence	Position(s) with SilverWillow	Year First Became a Director	Principal Occupation(s) and Employment History for the Past Five Years	Number of Common Shares Held Directly or Indirectly
Bonnie D. DuPont ⁽¹⁾⁽²⁾ Alberta, Canada	Director	2012	Corporate director since 2008. Currently a director of Bird Construction Company. Prior thereto, Group Vice President, Corporate Resources for Enbridge Inc., one of the leading energy delivery companies in North America, from 2000 to March 2010 and various other positions with Enbridge Inc. since 1998.	84,500
Donald R. Ingram, FCMA ⁽³⁾ Alberta, Canada	Director and Chairman of the Board	2012	Corporate director since 2008. Currently a director of Gibson Energy Inc. Prior thereto, Senior Vice President, Midstream and Refined Products with Husky Energy Inc., an integrated oil and gas exploration and production company, since 2000. Previously, Chairman and Director of Sultran Ltd., a sulphur logistics and transportation company, between 2002 and 2008.	102,000
Howard J. Lutley, P. Eng. ⁽³⁾ Alberta, Canada	Director and President, Chief Executive Officer	2012	President and Chief Executive Officer of the Corporation since April 2012. Prior thereto, President and Chief Executive Officer of SilverBirch, an oil sands exploration and development company since October 2010 and from 2004 to 2010, Vice President, Mining and Extraction of UTS, an oil sands exploration and development company.	1,086,599
Timothy A. McGaw California, USA	Director	2012	President of Douglas Telecommunications, Inc., a private management company, since 1991.	0 ⁽⁷⁾
Douglas H. Mitchell, C.M., A.O.E., Q.C. ⁽¹⁾⁽²⁾ Alberta, Canada	Director	2012	National Co-Chair of Borden Ladner Gervais LLP, Barristers & Solicitors since 2007, and Regional Managing Partner 2000 to 2006, Managing Partner of its predecessor firm, Howard Mackie, from 1997.	219,000

Name and Province/State and Country of Residence	Position(s) with SilverWillow	Year First Became a Director	Principal Occupation(s) and Employment History for the Past Five Years	Number of Common Shares Held Directly or Indirectly
Glen D. Roane ⁽¹⁾⁽²⁾ Alberta, Canada	Director	2012	Corporate director since 1999. Currently a director of Enerplus Resources Corporation, Badger Daylighting Ltd., Logan International Inc. and GBC North American Growth Fund Inc. and a member of the Alberta Securities Commission. Prior thereto, from 1994 to 1997, Vice President and Director of TD Asset Management Inc., an investment company.	208,690
William Watson ⁽²⁾ Alberta, Canada	Director	2012	Corporate director since 2010. Currently a director of Oando Energy Resources Inc. Prior thereto Chief Operating Officer S.E. Asia of Husky Energy Inc. from 2007 to 2010. Prior thereto from 2004 to 2008, he was the Vice President, Engineering and Project Management of Husky Energy Inc.	64,600
Officers				
Philip M. Aldred Alberta, Canada	Vice President, Resources	n/a	Vice President, Resources since April 2012. Prior to that, Mr. Aldred was Vice President, Resources of SilverBirch an oil sands exploration and development company since 2010, and the Exploration Manager of UTS, an oil sands exploration and development company since 2006. Prior thereto, he held positions in exploration and resource development with Encana Corporation since 1997.	415,974

Name and Province/State and Country of Residence	Position(s) with SilverWillow	Year First Became a Director	Principal Occupation(s) and Employment History for the Past Five Years	Number of Common Shares Held Directly or Indirectly
J. Cameron Bateman ⁽⁴⁾ Alberta, Canada	Vice President, Projects	n/a	Vice President, Projects since April 2012. Prior to that, Mr. Bateman was Vice President, Projects of SilverBirch, an oil sands exploration and development company since 2010. Prior thereto, he was the General Manager, HS&E and Stakeholder Affairs of UTS, an oil sands exploration and development company since 2010 and Manager, Regulatory and Stakeholder Affairs since 2007. Prior thereto, he was the Manager Technical Services and Mine Engineering, Fuel Supply Dept of TransAlta Utilities Corp. since 2005.	449,720
Michael L. Stevens, CFA ⁽³⁾⁽⁴⁾ Alberta, Canada	Vice President and Chief Financial Officer	n/a	Vice President and Chief Financial Officer since July 2012 ⁽⁵⁾ and Vice President, Finance since April 2012. Prior to that, Mr. Stevens was Senior Manager of Finance and Investor Relations at SilverBirch, an oil sands exploration and development company since 2010 and Manager, Financial Analysis with UTS, an oil sands exploration and development company, since 2004.	240,000

Notes:

- (1) Member of Governance and Compensation Committee.
- (2) Member of the Audit, Reserves and HSE Committee.
- (3) Member of the Disclosure Committee.
- (4) Member of the Donation Committee.
- (5) Ms. Susan Pain fulfilled her three-month term employment contract with the Corporation as transitional CFO during the Corporation's first quarter operations. Her contract ended June 30, 2012.
- (6) Mr. Boland directly holds 59,000 Common Shares of the Corporation. He is a principal of West Face Capital Inc. West Face Capital Inc. currently holds 8,868,426 Common Shares of the Corporation or approximately 15.75% of the issued and outstanding Common Shares of the Corporation.
- (7) Mr. McGaw is the President of a company that is related to The Douglas Family Trust. The Douglas Family Trust currently holds 9,630,200 Common Shares of the Corporation or approximately 16.99% of the issued and outstanding Common Shares of the Corporation.

As at April 17, 2013, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, an aggregate of 2,930,083 Common Shares, representing 5.17% of the issued and outstanding Common Shares.

Collectively, the current group of executive officers and directors of SilverWillow beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 11,798,509 Common Shares (including those beneficially owned, directly or indirectly, or over which control or direction is exercised by West Face Capital Inc.) or approximately, 20.82% of the Common Shares issued and outstanding.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, no person or Corporation that is the direct or indirect beneficial owner of, or who exercises direct or indirect control or direction over more than 10% of the outstanding Common Shares of the Corporation and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors of the Corporation are engaged and will continue to be engaged in the search for oil and gas on behalf of other corporations, and situations may arise where the directors will be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the CBCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the CBCA.

AUDIT, RESERVES AND HSE COMMITTEE

RESPONSIBILITIES AND TERMS OF REFERENCE

The Audit, Reserves and HSE Committee reviews with management and the Corporation's external auditors, and recommends to the Board for approval, the annual and interim financial statements of the Corporation, the reports of the external auditors thereon, as applicable, and related financial reporting, including management's discussion and analysis and earnings press releases. It must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements and it periodically assesses the adequacy of these procedures. The Audit, Reserves and HSE Committee must approve in advance any retainer of the auditors to perform any non-audit service to the Corporation that it deems advisable in accordance with applicable securities laws and the approved policies and procedures of the Board. It shall also assist the Board in fulfilling its oversight responsibilities under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), relating to the integrity of resource reporting, oversight of the independent qualified resource evaluator, and the performance of internal resource audit functions, as well as ensuring that the Corporation meets its obligations in the areas of Health, Safety and Environment.

A copy of the Terms of Reference of the Audit, Reserves and HSE Committee is attached to this AIF as Schedule C.

COMPOSITION AND QUALIFICATIONS

As of the date hereof, the Corporation's Audit, Reserves and HSE Committee consists of four independent directors, Messrs. Roane (Chairman), Mitchell, Watson and Ms. DuPont, all of whom are considered to be "financially literate" pursuant to National Instrument 52-110 – *Audit Committees*. In considering criteria for the determination of financial literacy, the Board looks at the ability to read and understand financial statements of a publicly traded corporation. The education and experience of each member of the Corporation's Audit, Reserves and HSE Committee relevant to the performance of his or her responsibilities are as set forth below:

Glen D. Roane (Chair) – Independent Director. Mr. Roane has served as a Corporate Director to various public and private companies since 1999. He has over 18 years of experience in commercial banking, investment banking and investment management and over ten years of experience as a corporate director. Mr. Roane sits on the boards of Enerplus Resources Corp., Badger Daylighting Ltd. and Logan International Inc. He chairs the Audit Committee of Badger Daylighting Ltd., is a member of the Audit and Risk Management Committee of Enerplus Resources Corp., and a member of the Audit Committee of

Logan International Inc. He is also a member of the Alberta Securities Commission. He was the Vice President and Director of TD Asset Management Inc., an investment company from 1994 to 1997 and the Managing Director of Lancaster Financial Inc., a merchant bank from 1986 to 1994. Mr. Roane received his Bachelor of Arts in 1977 and his Master of Business Administration in 1979 from Queen's University in Kingston, Ontario. From his experience, he has gained an understanding of the elements and application of effective internal controls, as well as a practical understanding and application of general accounting principles and the analysis and evaluation of financial statements. Through Mr. Roane's extensive experience on boards of publicly traded companies he has developed excellent insight into the current practices of many companies and amassed significant knowledge in the area of finance and audit committees.

Bonnie D. DuPont – Independent Director. Ms. DuPont retired from Enbridge Inc. in 2010 with 30 years as an executive in the energy and grain industries, responsible for human resources, labour relations, information technology, public affairs, and governance functions. She recently completed her second term on the Bank of Canada board, and now sits on the NAV Canada, Bird Construction Company, and the University of Calgary boards. She sits on the Audit Committee of Bird Construction Company and on the Pension Committee of NAV Canada. She is currently the Interim Chair of the Board of Governors of the University of Calgary. Ms. DuPont holds a BSW (1976) (Great Distinction) from the University of Regina and a M.Ed. (1989) from the University of Calgary. She is a member of the Institute of Corporate Directors and a 2006 graduate of the ICD Corporate Directors' Education Program. She is also a Certified Human Resources Professional (CHRP) and is a member of the International Women's Forum (IWF). From her experience, she has gained an understanding of the elements and application of effective internal controls, as well as a practical understanding and application of general accounting principles and the analysis and evaluation of financial statements.

Douglas H. Mitchell – Independent Director. Mr. Mitchell is National Co-Chairman of Borden Ladner Gervais LLP and specializes in corporate and commercial law. He is a director of several corporations and community organizations, including a director of AltaLink Management Ltd., a director of EPCOR Utilities Inc., a director of NorSerCo. Inc., a trustee of Northern Property Real Estate Investment Trust, Chairman of the Calgary Tourism Sports Authority and a member of the CFL Board of Governors. Mr. Mitchell is the past Chair of the Calgary Airport Authority, past Chair of the Board of Governors of the Southern Alberta Institute of Technology, past Chairman of the Alberta Economic Development Authority, a past President of the Calgary Chamber of Commerce and a former Commissioner of the Canadian Football League. Mr. Mitchell holds a LL.B. (1962) from the University of British Columbia and a Bachelor of Arts in Business Administration (1959) from Colorado College. His professional and community-based achievements were recognized with an appointment to the Order of Canada in 2004 and in 2007 he was inducted into the Alberta Order of Excellence. From his experience, he has gained an understanding of the elements and application of effective internal controls, as well as a practical understanding and application of general accounting principles and the analysis and evaluation of financial statements.

William Watson – Independent Director. Mr. Watson has served as a lead officer and business unit leader of major corporations for over 35 years and has a solid understanding of accounting principles and company accounts. He also received formal training within the Institute of Corporate Directors for the roles and responsibilities of audit committee members, audit processes, insights into skills and competencies required to serve on an audit committee and reporting obligations. Mr. Watson received his degree in Mechanical Engineering from Napier University in Edinburgh, Scotland and an advanced management program at Indiana University. From his experience, he has gained an understanding of the elements and application of effective internal controls, as well as a practical understanding and application of general accounting principles and the analysis and evaluation of financial statements.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

To the knowledge of management of the Corporation, no director or executive officer of SilverWillow is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order

that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days.

To the knowledge of management of the Corporation, no director or executive officer of SilverWillow or controlling Shareholder is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

PERSONAL BANKRUPTCIES

To the knowledge of management of the Corporation, no director or executive officer of SilverWillow or controlling Shareholder has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

PENALTIES OR SANCTIONS

To the knowledge of management of the Corporation, no director or executive officer of SilverWillow or controlling Shareholder has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDITOR FEES

The following summarizes the total fees paid to KPMG LLP, the external auditor of the Corporation, for the year ended December 31, 2012:

	2012
Audit Fees ⁽¹⁾	\$125,000
Audit-Related Fees	0
Tax Fees	0
All Other Fees	0
Total	\$125,000

Note:

(1) Audit services comprised audit of annual financial statements, interim reviews of interim financial statements and involvement in a private placement of common shares.

LEGAL AND REGULATORY PROCEEDINGS

SilverWillow is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2012, nor is SilverWillow aware of any such contemplated legal proceedings, which involve a claim for damages, exclusive of interest and costs, that may exceed 10% of the current assets of the Corporation.

During the year ended December 31, 2012, there were no: (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

RISK FACTORS

An investment in SilverWillow should be considered highly speculative due to the nature of its activities and the stage of its development. Investors should carefully consider the following risk factors.

The market value of SilverWillow will be largely determined by investor confidence in the potential for successful development of the Audet Lands. Any events that negatively impact further exploration activities, the delineation of a project for the Audet Lands, the development schedule or potential project economics need to be considered risk factors. These include oil prices, exploration costs, development costs, possible changes to the fiscal regime and possible changes to environmental or other relevant regulations or delays in receiving regulatory approvals and lease tenure.

In addition to those risk factors discussed elsewhere in this AIF, the following are certain risk factors related to the business of the Corporation. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF.

EARLY STAGE OF DEVELOPMENT AND EXPLORATION AND DEVELOPMENT ACTIVITIES

The business of SilverWillow should be considered speculative due to its present stage of development. There can be no assurance that SilverWillow will be able to generate and sustain revenue or net income in the future.

SilverWillow's exploration and evaluation activities are primarily focused on undeveloped oil sands rights which have inherent risks with uncertain prospects for success. To date, the activities relating to SilverWillow's assets are exploratory only, which increases the degree of risk substantially as compared to oil sands projects in the production stage. SilverWillow will have no earnings to support it should its properties prove not to be commercially viable.

SilverWillow's exploration and possible development activities in its oil sands interests will depend in part on the evaluation of data obtained through geophysical testing and geological analysis. The results of such studies and tests are often subject to varying interpretations, and no assurance can be given that such activities will produce bitumen in commercial quantities. The exploration, evaluation and development activities that will be undertaken by SilverWillow are subject to greater risks than those normally associated with the acquisition and ownership of producing properties. SilverWillow's properties may fail to produce hydrocarbons in commercial quantities.

Oil sands exploration, development and production involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of SilverWillow depends on its ability to find, acquire, develop and commercially produce bitumen reserves.

Future oil sands exploration may involve unprofitable efforts. Environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect production. These conditions include delays in obtaining governmental approvals or consents, insufficient storage, transportation or processing capacity or other geological and mechanical conditions.

SilverWillow will be vulnerable to market prices and fixed costs, including costs associated with project development, exploration and delineation activities, operations, leases, labour costs, and depreciation which will account for a significant portion of SilverWillow's costs and expenses. If actual operating expenses are higher than estimated, SilverWillow's profit margin will be lower than expected and SilverWillow's business and results of operations may be adversely affected.

RISKS ASSOCIATED WITH RESOURCE ESTIMATES

The Audet Report provides an assessment of the DPIIP and the Contingent Bitumen Resources for the Audet Lands. The term "discovered petroleum initially-in-place" is taken from COGEH. The DPIIP resource volumes taken from the Audet Report refer to quantities of bitumen estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and contingent resources with the remainder being unrecoverable.

With respect to the Contingent Resources associated with SilverWillow's Audet Lands, the contingencies which prevent the classification of these resources as reserves are as follows: the need for a pilot to

verify the effectiveness of the McMurray Formation shales as caprock for steam containment during the SAGD operation; the absence of regulatory approvals for future commercial development; the absence of a firm commercial development plan; and the uncertainty of funding approval for commercial developments. These contingencies may not be resolved in the manner or on the timeline anticipated or at all.

Discovered resources and contingent resources do not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the discovered resources or of the contingent resources on any of the above mentioned properties.

HYDROCARBON RESOURCES

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond SilverWillow's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of discovered resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates, which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of discovered resources and the further classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

FINANCING RISK

Prior to commercial production from the Audet Lands, which is not expected prior to late 2016, and is subject in any event to the risks described in this section, SilverWillow will have limited financial resources and a limited source of income, principally in the form of asset sales and farm-outs. SilverWillow anticipates making substantial capital expenditures for the acquisition, exploration, evaluation, delineation, development of and production from any potential project related to its properties. There can be no assurance that debt or equity financing, a bank loan facility or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to SilverWillow. The inability of SilverWillow to access sufficient capital for its operations could have a material adverse effect on SilverWillow's business, financial condition, results of operations and prospects, could result in the delay or indefinite postponement of further exploration, evaluation and development of SilverWillow's properties or the possible loss of its properties and could put at risk SilverWillow's ability to operate as a going concern.

Capital requirements are subject to normal capital market risks, primarily the availability and cost of capital. The extent to which SilverWillow will need to access additional funding will be subject to normal capital market risks, primarily the availability and cost of capital. Continuing improvement and sustainability of the global financial markets will be critical in determining the availability and cost of the debt and equity financing that may be required for development of the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands.

Expectations for the future price of oil will be an important factor determining SilverWillow's ability to access debt financing at the time that this may become necessary. See "*Risk Factors – Oil and Natural Gas Prices.*"

The Governments of Canada and Alberta are responding to the growing public concern and international criticism of Canada's environmental record, driven in large part by oil sands development. To date, these responses have continued to stress the importance of oil sands development to Canada's economic opportunities and have had limited impact on the pace or cost of development. However, future initiatives

could have a more significant impact on the cost of oil sands development and hence the availability of financing for such developments.

AVAILABILITY OF CREDIT FACILITIES AND DEBT SERVICE

There can be no assurance that SilverWillow will have access to credit facilities that are (i) large enough to sufficiently finance SilverWillow's capital costs, and (ii) available on commercial terms acceptable to SilverWillow, or at all. In the event that any of the foregoing occurs, SilverWillow may be required to seek additional sources of equity or debt in order to carry out its business plans.

Neither SilverWillow's articles nor its by-laws limit the amount of indebtedness that SilverWillow may incur. The level of SilverWillow's indebtedness from time to time could impair SilverWillow's ability to obtain additional financing on a timely basis or take advantage of business opportunities as they arise.

COMMODITY PRICE VOLATILITY

Our financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between light/medium oil, heavy oil (in particular the light/heavy differential) and bitumen and quoted market prices. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions; refining demand; the availability and cost of diluent used to transport product; and the quality of the oil produced, all of which are beyond our control.

EXPOSURE TO COUNTERPARTIES

In the normal course of business we enter into contractual relationships with suppliers, partners and other counterparties in the energy industry and other industries for the provision and sale of goods and services. If such counterparties do not fulfill their contractual obligations, we may suffer financial losses, may have to delay our development plans or may have to forego other opportunities which may materially impact our financial condition or operational results.

PERSONNEL

Further exploration and evaluation and any future project delineation and development of the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands will require experienced executive and management personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees and contractors with the necessary expertise will be available. Should other oil sands projects or expansions proceed in the same time frame as SilverWillow's projects, SilverWillow may compete with these other projects for experienced employees and contractors and such competition may result in increases to compensation paid to such personnel or to a lack of qualified personnel.

Any inability on the part of SilverWillow to attract and retain qualified personnel may delay or interrupt the exploration and evaluation and future project delineation and development on the Audet Lands, the Birch Mountain Lands or the Other Exploration Lands. Sustained delays or interruptions could have a material adverse effect on the financial condition and performance of SilverWillow. In addition, rising personnel costs would adversely impact the costs associated with the exploration and evaluation and future project delineation and development on the Audet Lands, the Birch Mountain Lands or the Other Exploration Lands, which could be significant and material.

PROJECT COSTS

The total costs to evaluate, design and delineate projects for SilverWillow's properties and commence commercial bitumen extraction operations have not been and will not be fully determined until the commissioning of any future projects relating to such properties is completed. Further, there can be no assurance that future development or construction activities will commence in accordance with expectations or at all. Delays could result in an increase to any future project costs.

Capital costs associated with the development of SilverWillow's properties will not be fully determined until the future projects in respect of such properties are completed. There is no assurance that capital

cost overruns will not occur. Moreover, existing oil sands development projects have at times experienced escalating costs and significant cost overruns.

The operating costs of an oil sands development project, which have potential to vary considerably, are significant components of the cost of production of the petroleum products produced by any such project. If significant increases in operating costs are incurred they may have a material adverse effect on SilverWillow.

SilverWillow does not expect to hold project delay/cost overrun insurance in the future and, even if such insurance is available at a reasonable cost and obtained, there can be no assurance that the coverage amount will be sufficient for all cost overruns, that SilverWillow will be able to satisfy the conditions to making a claim under such insurance, that SilverWillow will be successful in asserting any claim under such insurance, or that any claims under insurance will be paid in a timely fashion.

LEASE TENURE

SilverWillow's properties are held in the form of leases and working interests in leases. If SilverWillow or the holder of the lease fails to meet the specific requirement of a lease, the lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each lease will be met. The termination or expiration of SilverWillow's leases or the working interests relating to a licence or lease may have a material adverse effect on SilverWillow's business, financial condition, results of operations and prospects.

ENVIRONMENTAL AND REGULATORY APPROVALS

The design, construction, operation and decommissioning of potential future projects related to SilverWillow's leases and reclamation of the land to be held by SilverWillow will be conditional upon various environmental and regulatory approvals issued by governmental authorities. There is no assurance such approvals will be issued, or, once issued or renewed, that they will not contain terms and conditions which make SilverWillow's potential future projects uneconomic or cause SilverWillow to significantly alter potential future projects from what would otherwise be planned. Although SilverWillow believes that any future projects will be in general compliance with applicable environmental and safety regulatory approvals, statutes and regulations, risks of substantial costs and liabilities are inherent in oil sands recovery operations and there can be no assurance that substantial costs and liabilities will not be incurred or that any of its future projects will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies there under, and claims for damages to property or persons resulting from SilverWillow's operations, could result in substantial costs and liabilities to SilverWillow or delays to or abandonment of any future projects of SilverWillow.

SilverWillow will be responsible for obtaining and complying with the applicable environmental and regulatory approvals, compliance with the applicable laws and regulations regarding environmental protection and operational safety laws and regulations, and all associated costs, which could be substantial.

SAGD BITUMEN RECOVERY PROCESS

It is currently anticipated that a future development project associated with the Audet Lands will utilize SAGD processes for recovery of some portion of the bitumen attributed to the property. The recovery of bitumen using SAGD processes is subject to uncertainty. Current SAGD technologies for *in situ* extraction of bitumen are energy intensive, requiring significant consumption of natural gas or other fuels to produce steam for use in the recovery process. The amount of steam required in the production process can vary and may impact costs; at this stage there is no certainty that there is sufficient caprock to provide steam containment. The quality and performance of the bitumen reservoir can also impact steam-oil-ratio and the timing and levels of production using this technology. Should SilverWillow encounter adverse reservoir conditions in any future operations, bitumen recovery levels achieved by SilverWillow using SAGD processes may be negatively impacted.

ABANDONMENT AND RECLAMATION COSTS

SilverWillow will need to comply with the terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of any of its future projects and reclamation of

such project lands at the end of their economic life, which may result in substantial abandonment and reclamation costs. Any failure to comply with the terms and conditions of future approvals and such legislation and/or regulations may result in the imposition of fines and penalties.

It is not possible at this time to estimate abandonment and reclamation costs reliably since they will, in part, depend on the nature and scope of SilverWillow's future projects and future regulatory requirements. In addition, in the future, SilverWillow may determine it prudent or be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If SilverWillow establishes a reclamation fund, its liquidity and cash flow may be adversely affected.

ENGAGEMENT OF STAKEHOLDERS IN DEVELOPMENT OF THE AUDET LANDS

SilverWillow expects that achieving and maintaining strong relationships with the local communities, including Aboriginal communities, will be a key factor in its success, and that the associated costs to meet the various government initiatives and stakeholder concerns must be managed to ensure that SilverWillow will be granted approval to develop its oil sands resources.

SilverWillow intends to continue undertaking an engaged outreach program with government regulators and stakeholder communities to ensure the corporation gains a strong understanding of their concerns and reach agreement on how the corporation will attempt to address those concerns within project design parameters.

Participant involvement compliance can require significant expenditures and may involve considerable effort that may impact the timing of SilverWillow's exploration, production and development activities. However, failure to comply with participant involvement legislation may result in SilverWillow's inability to obtain the necessary licenses and permits required to carry out SilverWillow's exploration and development programs. At the same time, there can be no assurance that SilverWillow will be able to obtain all of the necessary licences and permits required for its exploration and development programs.

CRUDE OIL, BITUMEN AND NATURAL GAS PRICES

SilverWillow's financial results will be dependent upon the prevailing price of crude oil, bitumen and natural gas. Crude oil and bitumen prices fluctuate significantly in response to regional, national and global supply and demand factors beyond the control of SilverWillow. Political and economic developments around the world can affect world crude oil and bitumen supply and crude oil and bitumen prices. Low crude oil and bitumen prices could impact the liquidity of the SilverWillow Shares. *In situ* thermal oil sands operations use heat, primarily in the form of steam, to facilitate the bitumen recovery process. Large quantities of natural gas are used in SAGD and cyclic steam stimulation recovery processes and the cost of natural gas represents a significant operating cost in such projects. Natural gas prices fluctuate in response to national and continental North American supply and demand factors beyond the control of SilverWillow. In addition, North American gas producers are actively pursuing alternative markets through liquefied natural gas exports, which could increase the demand for North American natural gas. High natural gas prices could impact SilverWillow's operating costs and financial results.

Any prolonged period of low commodity prices could result in a decision by SilverWillow to suspend or reduce the proposed development of the Audet Lands or other oil sands leases in which it owns an interest. Any such suspension or reduction of proposed production would result in a corresponding substantial decrease in SilverWillow's revenues and earnings and could materially impact SilverWillow's ability to meet any future debt servicing obligations and could expose SilverWillow to significant additional expense as a result of any future long-term contracts. If production was not suspended or reduced during such period, the sale of the petroleum products produced at such reduced prices would lower SilverWillow's revenues.

ROYALTY REGIME

In the event that SilverWillow's properties are developed and become operational projects, SilverWillow's revenue and expenses will be directly affected by the royalty regime applicable to the projects. The economic benefit of future capital expenditures for the projects will be, in many cases, dependent on a satisfactory royalty regime. There can be no assurance that the Government of Canada and the Province

of Alberta will not adopt a new royalty regime which will make capital expenditures uneconomic or that the regime currently in place will remain unchanged. As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in-kind, as it does currently for conventional oil production. In February 2011, the Government of Alberta announced that it had entered into contracts to commercially upgrade and refine a portion of its bitumen royalty in-kind volumes to higher value products.

OPERATIONAL HAZARDS

The exploration, development, construction and operation of SilverWillow's properties will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts and oil spills. An occurrence of this nature might result in the loss of equipment or life, as well as injury or property damage. The exploration, development, construction or operation of SilverWillow's properties could be interrupted by natural disasters or other events beyond the control of SilverWillow.

In accordance with industry practice, SilverWillow does not expect to be fully insured against all of these risks, nor are all such risks insurable. Although SilverWillow intends to attempt to secure liability insurance in an amount that it considers appropriate, such insurance may not be available and even if available, the nature of these risks is such that liabilities could exceed policy limits, in which event SilverWillow could incur significant costs. Losses resulting from the occurrence of any of these risks could have a material adverse effect on SilverWillow.

Recovering bitumen from oil sands involves particular risks and uncertainties. SilverWillow's projects will be susceptible to loss of production, slowdowns, or restrictions on its ability to produce higher value products due to the interdependence of its component systems. Severe climatic conditions can cause reduced production and in some situations result in higher costs.

TRANSPORTATION CAPACITY AND PIPELINES INTERRUPTIONS

In the future, operation of SilverWillow's properties could be dependent on pipelines and refineries; disruptions in, or restricted availability of pipeline service, could adversely affect production, refining operations and cash flow. Interruptions or restrictions in the availability of these pipeline systems may limit the ability to deliver production volumes and could adversely impact commodity prices, sales volumes or the prices received for our products. These interruptions and restrictions may be caused by the inability of the pipeline to operate, or they could be related to capacity constraints as the supply of feedstock into the system exceeds the infrastructure capacity. There can be no certainty that investments in pipelines which would result in extra long-term take-away capacity will be made by applicable third party pipeline providers. There is also no certainty that short-term operational constraints on the pipeline system, arising from pipeline interruption and/or increased supply of crude oil, will not occur. In addition, planned or unplanned shutdowns or closures of our refinery customers may limit our ability to deliver product in the future with negative implications on sales and cash from operating activities.

GOVERNMENT REGULATION

The oil and gas industry in Canada, including the oil sands industry, operates under federal and provincial statutes and regulations governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the export of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields and well sites (including restrictions on production) and possible expropriation or cancellation of lease rights. The regulatory scheme as it relates to oil sands, and the recovery and marketing of bitumen or bitumen by-products from oil sands is somewhat different from that related to conventional oil and gas in general.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing statutes or regulations, the implementation of new statutes or regulations or the modification of existing statutes or regulations affecting the crude oil and natural gas industry could impact the markets for crude oil and natural gas,

delay or stop the development of SilverWillow's projects, or increase SilverWillow's costs and have a material adverse impact on SilverWillow.

ENVIRONMENTAL CONSIDERATIONS

The operations of SilverWillow will be affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Should there be changes to existing statutes or regulations, SilverWillow's competitive position within the oil sands industry may be adversely affected, as many industry players have greater resources than SilverWillow.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact SilverWillow's ability to develop and operate its projects or increase or maintain production or will not increase unit costs of production, or to realize other business opportunities from its exploration leases. Equipment from suppliers which can meet future emission standards may not be available on an economic or timely basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation which would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, which SilverWillow may be unable to mitigate.

SilverWillow intends to implement programs that support an environmental management system, including impact assessments, audits, compliance, reporting and regulatory updates. It will co-operate fully with the other oil sands developers in an attempt to manage and mitigate cumulative environmental impacts of the oil sands development, including such matters as sharing access roads and utility corridors for infrastructure development.

GREENHOUSE GASES

Greenhouse gas emissions continue to be a concern of the environmental non-government organizations and the public. The oil sands, like other industries, emit CO₂ which is a by-product from the use of natural gas in generating steam for *in situ* bitumen extraction. Currently, oil sands production accounts for less than 7% of Canada's greenhouse gas emissions. To put this in context, the transportation and electricity sectors contribute 38% of Canada's greenhouse gas emissions. Improvements in the efficiency of the extraction processes in the oil sands industry have resulted in a 26% reduction in emissions per barrel since 1990.³

The Government of Alberta implemented greenhouse gas regulations in 2007, requiring companies to reduce their greenhouse gas emission intensity by 12%. New projects are given a three year start up period after which the 12% reduction target is phased in at 2% per year. In the event that a company is not able to meet the targets, companies can pay \$15/tonne to the Climate Change and Emissions Management fund or invest in Alberta-based offsets. SilverWillow factors the costs of meeting this requirement into its financial and economic models.

In addition to the Alberta greenhouse gas regulations, the Federal government has indicated that it is developing new regulations for emissions. The current priority is to focus on transportation related regulations, the sector that accounts for the largest proportion of greenhouse gas emissions. Details on how future regulations will affect the oil sands sector are not yet defined.

SALES OF ADDITIONAL SECURITIES

SilverWillow may issue additional SilverWillow Shares or other securities to finance its interest in the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands or certain of SilverWillow's other capital or operating expenditures, or to make acquisitions of new properties or projects. The constating documents of SilverWillow permit it to issue an unlimited number of additional SilverWillow Shares and an unlimited number of SilverWillow Preferred Shares. The SilverWillow Board of Directors has discretion to determine the issue price and the terms of issue of SilverWillow Shares. Such future issuances may be dilutive to investors. SilverWillow Shareholders have no pre-emptive rights under SilverWillow's constating documents to participate in any future offerings of securities.

³ Environment Canada's report entitled "Canada's Emissions Trends", published in August 2012. Readers are urged to consult the full text of the report which is available on the Environment Canada's website at www.ec.gc.ca.

TITLE RISKS

SilverWillow is satisfied that it will have good and proper right, title and interest in and to the leases that it intends to develop. However, SilverWillow has not obtained title opinions in respect of all of the leases and, accordingly, SilverWillow's ownership of certain leases could be subject to prior unregistered agreements or interests or undetected claims or interests.

INDEPENDENT REVIEWS

Although third parties have prepared reviews, reports and projections relating to the viability and expected performance, it cannot be assured that these reports, reviews and projections and the assumptions on which they are based will, over time, prove to be accurate.

GLOBAL FINANCIAL CRISIS

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009 and 2010, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions have improved since 2009, a number of significant global financial risks remain. These factors have negatively impacted company valuations and may impact the performance of the global economy going forward.

COMPETITION

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of conventional oil and oil sands interests and the distribution and marketing of petroleum products. SilverWillow's projects and exploration leases will compete with other bitumen producers, other producers of heavy oil blends and other producers of conventional crude oil. Some of the conventional producers have lower operating costs than SilverWillow is anticipated to have. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than SilverWillow have announced plans to enter the oil sands business and begin production of bitumen or heavy oil, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of heavy oil and other competing crude oil products in the marketplace. Depending on the levels of future demand, increased supply could have a negative impact on prices.

FOREIGN EXCHANGE

Crude oil prices are generally based on a U.S. dollar market price, while certain operating and capital costs will be primarily in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar will therefore give rise to foreign currency exchange exposure. SilverWillow may mitigate the impact of exchange rate fluctuations on the revenue by hedging. There is no assurance that any hedging which may be undertaken by SilverWillow will be successful and, if not successful, could result in a material adverse effect on SilverWillow's financial condition and business.

HEDGING RISKS

The nature of SilverWillow's operations will result in exposure to fluctuations in commodity prices. SilverWillow may use financial instruments and physical delivery contracts to hedge its exposure to these risks. If SilverWillow engages in hedging it will be exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. Additionally, if product prices increase above those levels specified in any future hedging agreements, SilverWillow could lose the cost of floors or ceilings or a fixed price could limit it from receiving the full benefit of commodity price increases.

SilverWillow may also hedge its exposure to the costs of inputs to the Audet Lands, the Birch Mountain Lands or the Other Exploration Lands. If the prices of these inputs fall below the levels specified in any future hedging agreements, SilverWillow could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of commodity price decreases.

SEASONAL WEATHER PATTERNS

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain of the oil sands leases in which SilverWillow will have an interest are inaccessible during certain non-winter months because the access to the sites, and certain areas within the sites, consist of poorly drained terrain. These conditions can affect the ability to conduct exploration and delineation drilling on the lands in which SilverWillow will have an interest.

ABORIGINAL CLAIMS

The legal framework describing treaty and traditional land rights is becoming more definitive following a number of recent court rulings. Addressing these rights is becoming generally more complex and time consuming, particularly following the release in late 2006 and subsequent revisions of the Government of Alberta Guidelines for Aboriginal Consultation, in which it expects industry to assume a greater responsibility to consult with Aboriginal communities impacted by oil sands exploration and development activities. These requirements can result in time consuming negotiations over compensation for impacting Aboriginal rights. These negotiations could result in slowing of government approvals required to conduct SilverWillow's normal business and result in unplanned project costs.

In western Canada, aboriginal groups have historically filed claims in respect of their aboriginal rights and treaty rights against the Governments of Canada and Alberta, and other government bodies which may affect our business. No certainty exists that any lands currently unaffected by claims brought by aboriginal groups will remain unaffected by future claims.

PUBLIC PERCEPTION AND INFLUENCE ON REGULATORY REGIME

Development of the Alberta oil sands has received considerable attention to recent public commentary on the subjects of environmental impact, climate change and greenhouse gas emissions. Despite the fact that much of the focus is on bitumen mining operations and not in-situ production, public concerns about greenhouse gas emissions and water and land use practices in oil sands developments may directly or indirectly impair the profitability of our current oil sands projects, and the viability of future oil sands projects, by creating significant regulatory uncertainty leading to uncertain economic modeling of current and future projects and delays relating to the sanctioning of future projects.

Negative consequences which could arise as a result of changes to the current regulatory environment include, but are not limited to, extraordinary environmental and emissions regulation of current and future projects by governmental authorities, which could result in changes to facility design and operating requirements, thereby potentially increasing the cost of construction, operation and abandonment. In addition, legislation or policies that limit the purchase of crude oil or bitumen produced from the oil sands may be adopted in domestic and/or foreign jurisdictions, which, in turn, may limit the world market for this crude oil and reduce its price.

FUTURE ACQUISITIONS

As part of its growth strategy, SilverWillow expects to continue to evaluate and, where appropriate, pursue acquisitions of additional oil sands leases. Acquisitions of oil sands leases, as well as the exploration and development of land subject to such leases, may require substantial capital or the incurrence of substantial additional indebtedness. Furthermore, the acquisition of any additional oil sands leases may not ultimately increase SilverWillow's discovered resources or result in any production of bitumen. If SilverWillow consummates any future acquisitions of oil sands leases, it may need to change its anticipated capital expenditure programs.

Additionally, such acquisitions may result in SilverWillow's capitalization and results of operations changing significantly. Investors will not have the opportunity to evaluate the economic, financial and

other relevant information that SilverWillow will consider in determining the application of its funds and other resources with respect to such acquisitions.

PUBLIC MARKET FOR SILVERWILLOW SHARES

If an active public market is not maintained, investors may have difficulty selling their SilverWillow Shares at any given time at a price that the investor may consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of the SilverWillow Shares and may impair SilverWillow's ability to raise capital by selling SilverWillow Shares.

MATERIAL CONTRACTS

The only contracts material to the Corporation, other than contracts entered into in the ordinary course of business, entered into during the most recently completed financial year or before the most recently completed financial year that is still in effect is as set forth below:

1. Transfer Agreement; see "*General Development of the Business – History*" and for a description of the assets transferred pursuant to the Transfer Agreement see "*SilverWillow's Oil Sands Leases*".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are KPMG LLP, Chartered Accountants of Calgary, Alberta and the registrar and transfer agent of the Common Shares is Equity Financial Trust Company ("Equity") and the Common Shares are transferable at Equity's principal offices in Calgary, Alberta and Toronto, Ontario.

INTERESTS OF EXPERTS

Our auditors, KPMG LLP, have confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. As of the date hereof, neither Sproule, independent petroleum consultants to the Corporation, nor the designated professionals of Sproule beneficially own any of the outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, will be provided in the Management Proxy Circular of the Corporation in respect of the annual general and special meeting of shareholders of the Corporation to be held on May 16, 2013. Additional financial information is provided in SilverWillow's comparative financial statements and management's discussion and analysis for the year ended December 31, 2012. Copies of this AIF, the audited financial statements and management's discussion and analysis for the year ended December 31, 2012, together with the auditor's report thereon, are available on SEDAR at www.sedar.com and may also be obtained upon request from the President and Chief Executive Officer of SilverWillow at 3100, 715 - 5th Avenue SW, Calgary, AB T2P 2X6; telephone: 403-538-7030, fax: 403-538-7033 and email: mail@swenergy.ca. Additional information relating to the Corporation may also be found on SEDAR at www.sedar.com.

**SCHEDULE A
FORM 51-101F2
NI 51-101 AUDIT AND REVIEW REPORT
REPORT ON RESOURCES DATA
BY INDEPENDENT QUALIFIED RESOURCES EVALUATOR OR AUDITOR**

To the Board of Directors of SilverWillow Energy Corporation (the "Company");

Discovered Petroleum and Contingent Resources were estimated as of December 31, 2012 and presented in the report entitled, "Evaluation of the Discovered Petroleum and the Contingent Bitumen Resources of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverWillow Energy Corporation (As of December 31, 2012)".

Sproule Unconventional Limited ("Sproule") prepared the independent evaluation of the discovered petroleum and the bitumen resources of the Audet lands in the Athabasca Oil Sands Region of Alberta for SilverWillow effective December 31, 2012. Sproule's work on the Audet lands included a geological evaluation and an engineering review of work conducted by SilverWillow's independent consultants with respect to caprock integrity tests and reservoir simulation studies to determine the potential for production of bitumen using Steam Assisted Gravity Drainage ("SAGD") methods.

Sproule previously estimated the Discovered Petroleum Initially-in-Place as of December 31, 2011. At that time the best estimate of the volume of Discovered Petroleum Initially-in-Place was 1,689.6 million barrels. However, Sproule was unable to classify the Discovered resources into one of the sub-categories because development projects could not be defined for the discovered resource volumes (NI 51-101 clause 5.16(3)(a)). It was yet to be determined what recovery process would be applied to the Audet lands due to uncertainty of caprock integrity. The Company planned to undertake more delineation drilling and mini-frac tests to evaluate the caprock extent and integrity for steam containment.

Sproule currently estimates, as of December 31, 2012, that the Discovered Petroleum Initially-in-Place was 1,845.9 million barrels. Also, as of December 31, 2012, Sproule is able to classify the Discovered resources into sub-categories as described below.

The preparation and disclosure of the reported resource estimates are the responsibility of the Company's management. Sproule's responsibility is to express an opinion on the bitumen-in-place and the contingent bitumen resources data. Sproule carried out the engineering review of the work conducted by SilverWillow's independent consultants with respect to caprock integrity tests and reservoir simulation studies to determine the potential for production of bitumen using Steam Assisted Gravity Drainage ("SAGD") methods in accordance with standards established by the Canadian Securities Administrators ("CSA") within National Instrument 51-101 ("NI 51-101"). This report adheres in all material aspects to the "best practices" recommended in the Canadian Oil and Gas Evaluation Handbook ("COGEH") which are in accordance with the principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers. The COGEH is incorporated by reference in NI 51-101.

Those standards require that Sproule plan and perform the audits and reviews to obtain reasonable assurance as to whether or not the resource data are free of material misstatement.

In Sproule's opinion, the bitumen resources data reviewed have, in all material respects, been estimated and presented in accordance with COGEH.

Contingent Bitumen Resources¹			
Audet Lands, Athabasca Oil Sands Region, Alberta			
As of December 31, 2012			
	Project – 100% (MMbbl)		
	Low Estimate	Best Estimate	High Estimate
Developable-Original-Bitumen-in-Place (MMbbl)	58.1	123.6	311.5
Contingent Bitumen Resources (MMbbl)	29.0	68.4	173.9
Recovery Factor (%)	49.9	55.3	55.8
Minimum Thickness of Caprock (m)	10	7	3

1. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. There is no certainty that it will be commercially viable to produce any portion of the contingent bitumen resources.

The term "Contingent Resources" is taken from the Canadian Oil and Gas Evaluation Handbook ("COGEH") as published by the Society of Petroleum Evaluation Engineers (Calgary Chapter). The volumes listed in the chart table above refer to potentially recoverable volumes of bitumen resources. The volumes of contingent bitumen resources were calculated at the outlet of the processing plant.

The contingencies that prevent these bitumen resources from being classified as reserves include, but are not limited to, the need for a pilot to verify the effectiveness of the McMurray Formation shales as caprock for steam containment during the SAGD operating; the absence of regulatory approvals for future commercial development; the absence of a firm commercial development plan; and the uncertainty of funding approval for commercial developments. There is no certainty that it will be commercially viable to produce any portion of the contingent bitumen resources.

Contingent bitumen resources have been assigned in areas where the thickness of the McMurray Formation shales is 10 metres or greater above the McMurray SAGD pay for the low estimate, in areas with 7 metres or greater of McMurray Formation shales for the best estimate, and in areas with 3 metres or greater of McMurray Formation shales for the high estimate. In all the low, best and high estimates, contingent bitumen resources have only been assigned in areas with greater than or equal to 10 metres of continuous McMurray bitumen sands present.

Further details on the results of Sproule's independent evaluation are presented in the reports entitled, "Evaluation of the Discovered Petroleum and the Contingent Bitumen Resources of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverWillow Energy Corporation (As of December 31, 2012)".

Sproule has no responsibility to update the report for events and circumstances occurring after the preparation date.

Because the Contingent Resources estimates are based on judgments regarding future events, actual results may vary and the variations may be material.

Sproule Unconventional Limited is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and our permit number is P10418.

Sproule Unconventional Limited
Calgary, Alberta

February 21, 2013

Original signed by Donald W. Woods

Donald W. Woods, P.Eng.
Manager, Engineering and Partner

Original signed by Doug W.C. Ho

Doug W.C. Ho, P.Eng.
Vice-President, Engineering and Director

SCHEDULE B
FORM 51-101F3 - REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of SilverWillow Energy Corporation (the "Corporation") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements.

An independent qualified reserves and resources evaluator prepared the independent evaluation of the bitumen resources of the Audet Lands in the Athabasca Oil Sands region of Alberta, as of December 31, 2012. The independent qualified reserves and resources evaluator's work included a geological evaluation and an engineering review of work conducted by SilverWillow's independent consultants with respect to caprock integrity tests and reservoir simulation studies to determine the potential for production of bitumen using Steam Assisted Gravity Drainage methods.

The independent qualified reserves and resources evaluator has concluded that the Discovered Petroleum Initially-in-Place for the Corporation's 100% working interest in the Audet Lands to be 1,845.9 million barrels as of December 31, 2012, an increase from their previous estimate of 1,689.6 million barrels. The independent qualified reserves and resources evaluator has further concluded that that the best estimate of contingent bitumen resources for the Audet Lands is 68.4 million barrels at stock tank conditions.

The report of the independent qualified reserves and resources evaluator will be filed with securities regulatory authorities concurrently with this Report.

The Reserves and HSE Committee of the Board of Directors of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified resources evaluator;
- (b) met with the independent qualified resources evaluator to determine whether any restrictions affected the ability of the independent qualified resources evaluator to report without reservation; and
- (c) reviewed the resource data with management and the independent qualified resources evaluator.

The Reserves and HSE Committee of the Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves and HSE Committee, approved:

- (a) the content and filing with securities regulatory authorities of the resources data and other oil and gas information;
- (b) the filing of the report of the independent qualified resources evaluator; and
- (c) the content and filing of the report.

Because the resources data are based on judgements regarding future events, actual results will vary and the variations may be material.

Dated February 22, 2013

(signed) "*Howard J. Lutley*"
Howard J. Lutley, P. Eng.
President and Chief Executive Officer

(signed) "*William Watson*"
William Watson
Director

(signed) "*Philip Aldred*"
Philip Aldred
Vice President, Resources

(signed) "*Glen D. Roane*"
Glen D. Roane
Director

SCHEDULE C
AUDIT, RESERVES AND HSE COMMITTEE MANDATE

As of the 17th day of April, 2013

A. Introduction

The Audit, Reserves and HSE Committee ("Committee") of SilverWillow Energy Corporation (the "Corporation") is a committee of the Board of Directors (the "Board"). The Committee shall oversee the accounting and financial reporting practices of the Corporation and the audits of the Corporation's financial statements, assist the Board in fulfilling its oversight responsibilities generally and under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), as may be amended from time to time, and exercise the responsibilities and duties set out in this Mandate. In addition, the Committee will assist the Board in ensuring that the Corporation meets its obligations in the areas of Health, Safety and Environment and in respect of any additional duties which are specifically referred to the Committee by the Board from time to time.

B. Membership

1. Number of Members

The Committee shall be composed of three or more members of the Board.

2. Independence of Members

Each member of the Committee must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Instrument 52-110 *Audit Committees*, as may be amended from time to time.

3. Chair

At the time of the appointment of the members of the Committee, the Board shall appoint a Chair of the Committee. The Chair shall be a member of the Committee, preside over all Committee meetings, coordinate the Committee's compliance with this Mandate, work with management to develop the Committee's annual work-plan and provide reports of the Committee to the Board.

4. Financial Literacy of Members

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

5. Term of Members

The members of the Committee shall be appointed by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

C. Meetings

1. Number of Meetings

The Committee shall meet at least each quarter and may meet as many times per year as necessary to carry out its responsibilities.

2. Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other. A majority of members of the Committee shall constitute a quorum.

3. Calling of Meetings

The Chair, any member of the Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Corporation's Corporate Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.

4. Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes can be circulated to the members of the Board, however the Chair may also report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

5. Attendance of Non-Members

The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management to discuss any matters that the Committee or such individuals consider appropriate.

6. Meetings without Management

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

7. Procedure

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

8. Access to Management

The Committee shall have unrestricted access to the Corporation's management and employees and the books and records of the Corporation.

D. Duties and Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee and a reserves, health, safety and environment committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "Applicable Requirements").

1. Financial Reports

(a) General

The Committee is responsible for overseeing the Corporation's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The auditors are responsible for auditing the Corporation's annual consolidated financial statements and for reviewing the Corporation's unaudited interim financial statements.

(b) Review of Annual Financial Reports

The Committee shall review the annual consolidated audited financial statements of the Corporation, the auditors' report thereon, the related management's discussion and analysis of the Corporation's financial condition and results of operation ("MD&A") and any annual earnings press release. After completing its review, if advisable, the Committee shall recommend for Board approval the annual financial statements, the related MD&A and the annual earnings press release.

(c) Review of Interim Financial Reports

The Committee shall review the interim consolidated financial statements of the Corporation, the auditors' review report thereon, the related MD&A and any interim earnings press release. After completing its review, if advisable, the Committee shall recommend for Board approval the interim financial statements, the related MD&A and the interim earnings press release.

(d) Review Considerations

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the auditors;
- (iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgments underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under International Financial Reporting Standards;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) review results of the Corporation's audit committee whistleblower hotline program; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) Approval of Other Financial Disclosures

The Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation and any other material financial disclosure, including financial guidance, if any, provided to rating agencies or otherwise publicly disseminated.

2. Auditors

(a) General

The Committee shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) Nomination and Compensation

The Committee shall review and, if advisable, select and recommend for Board approval the external auditors to be nominated and the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

(c) Resolution of Disagreements

The Committee will ensure that any disagreements between management and the auditors as to financial reporting matters are resolved to the satisfaction of the Committee.

(d) Discussions with Auditors

At least annually, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(e) Audit Plan

At least annually, the Committee shall review a summary of the auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) Quarterly Review Report

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Corporation.

(g) Independence of Auditors

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Corporation; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(h) Evaluation and Rotation of Lead Partner

At least annually, the Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

(i) Requirement for Pre-Approval of Non-Audit Services

The Committee shall approve in advance any retainer of the auditors to perform any non-audit service to the Corporation that it deems advisable in accordance with Applicable Requirements

and Board approved policies and procedures. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(j) Approval of Hiring Policies

The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(k) Financial Executives

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

3. Internal Controls

(a) General

The Committee shall review the Corporation's system of internal controls.

(b) Establishment, Review and Approval

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by the Corporation's regulators;
- (iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

4. Independent Reserves/Resources Evaluator

(a) General

The Committee shall be responsible, in consultation with management, for recommending to the Board the appointment of the independent reserves evaluator(s) and for oversight of the independent reserves/resources evaluator(s), including the work of the independent reserves/resources evaluator(s) in preparing the evaluation of the Corporation's reserves/resources data.

(b) Scope

The Committee shall consider, in consultation with the independent reserves/resources evaluator(s) and management, the scope of evaluation and plan of the independent reserves/resources evaluator(s).

(c) Resolution of Disagreements

The Committee shall resolve any disagreements between management and the independent reserves/resources evaluator(s) as to reserves/resources reporting matters brought to its attention.

(d) Meetings

The Committee shall meet separately with the independent reserves/resources evaluator(s) and management, as necessary or appropriate, to discuss any matters that the Committee or either of the independent reserves/resources evaluator(s) or management believes should be discussed privately with the Committee.

The Committee shall meet separately with the independent reserves/resources evaluator(s) at least annually to determine whether there were any restrictions placed on the evaluator(s), including any such restrictions that were placed on the evaluator(s) by management that affected their ability to report without reservation.

5. Reserves/Resources Reporting

(a) Disclosure Procedures

The Committee shall review at least annually the Corporation's procedures relating to disclosure of information with respect to the oil and gas activities of the Corporation, including its procedures for complying with the disclosure requirements and restrictions of NI 51-101.

(b) Qualifications and Independence of Reserves/Resources Evaluator

The Committee shall review annually the qualifications and independence of the independent qualified reserves/resources evaluator(s) to be appointed or re-appointed by the Board and in the case of any proposed change in the independent qualified reserves/resources evaluator(s), determine the reasons for the proposed change and whether there have been any disputes between the appointed qualified reserves/resources evaluator(s) and management of the Corporation.

(c) Provision of Information to Reserves/Resources Evaluator

The Committee shall review at least annually the Corporation's procedures for providing information to the independent qualified reserves/resources evaluator(s) for the purpose of its report on reserves/resources data of the Corporation under NI 51-101.

(d) Review and Recommendation

The Committee shall review the content and filing of the statement of reserves/resources data and other oil and gas information, the report of management and directors on oil and gas disclosure and the report of independent qualified reserves/resources evaluator(s) on reserves/resources data as contemplated by NI 51-101 or such other resources disclosure documentation prepared by the Corporation for dissemination to the public, as applicable, and make a recommendation to the Board as to whether to approve the content and filing of such documents.

Prior to recommending that the Board approve the filing of the statement of reserves/resources data and other oil and gas information of the Corporation, the report of management and directors on oil and gas disclosure and the report of the independent qualified reserves/resources evaluator(s) on reserves/resources data with the applicable regulatory authorities, the Committee will meet with management and each of the independent qualified reserves/resources evaluator(s) to:

- (i) determine whether any restrictions affected the ability of the independent qualified reserves/resources evaluator(s) to report on the reserves/resources data of the Corporation without reservation; and
- (ii) to review the statement of reserves/resources data and other oil and gas information and the report of the independent qualified reserves/resources evaluator(s) on reserves/resources data.

(e) Public Disclosure and Regulatory Filings

The Committee shall review any public disclosure or regulatory filings with respect to any reserves/resources evaluation and oil and gas activities, including press releases and material change reports containing such information and the compliance thereof with applicable regulatory requirements, and if appropriate make recommendations to the Board as to their approval for the release or filing thereof.

6. Health, Safety and Environment (“HSE”)

The Committee shall review reports from the Corporation's management on: the effectiveness of the Corporation's HSE policies; any material communications received from regulators or government agencies and any published reports that raise material issues regarding the Corporation's HSE performance; any legal or compliance matters that may have a material impact on the Corporation; or any other matter which the Committee may consider suitable or the Board may specifically direct. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

7. Compliance with Legal and Regulatory Requirements

The Committee shall review reports at least annually from the Corporation's Corporate Secretary and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; any material communications received from regulators or governmental agencies and any published reports that raise material issues regarding the Corporation's reserves/reserves. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

8. Committee Hotline Whistleblower Procedures

The Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

9. Committee Disclosure

The Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Corporation's disclosure documents.

10. Delegation

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

E. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's Articles and By-laws, it is not intended to establish any legally binding obligations.

F. Mandate Review

The Committee shall review and update this Mandate annually and present it to the Board for approval.

SilverWillow

ENERGY

SilverWillow Energy Corporation
3100, 715 - 5 Avenue SW
Calgary, AB T2P 2X6
T 403 538 7030
F 403 538 7033
www.swenergy.ca