



ANNUAL INFORMATION FORM

For the year ended December 31, 2008

May 14, 2009

TABLE OF CONTENTS

	Page
INTERPRETATION	2
DEFINED TERMS	2
ABBREVIATIONS	3
BARRELS OF OIL EQUIVALENT	3
CONVERSION RATIOS	3
FORWARD-LOOKING STATEMENTS	4
CAUTIONARY NOTE REGARDING DISCLOSURE OF RESOURCES	5
CORPORATE STRUCTURE	6
GENERAL DEVELOPMENT OF THE BUSINESS	6
DESCRIPTION OF THE BUSINESS	9
DESCRIPTION OF PRINCIPAL PROPERTIES	10
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION	12
INDUSTRY CONDITIONS	12
RISK FACTORS	17
DIVIDENDS	25
CAPITAL STRUCTURE	25
MARKET FOR SECURITIES	25
ESCROWED SECURITIES	26
DIRECTORS AND EXECUTIVE OFFICERS	26
LEGAL PROCEEDINGS	28
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	28
TRANSFER AGENT AND REGISTRAR	28
MATERIAL CONTRACTS	29
INTERESTS OF EXPERTS	29
AUDIT COMMITTEE INFORMATION	30
ADDITIONAL INFORMATION	31
SCHEDULE "A" – Statement of Reserves Data and Other Oil and Gas Information (Form 51-101F1)	
SCHEDULE "B" – Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor (Form 51-101F2)	
SCHEDULE "C" – Report of Management and Directors on Oil and Gas Disclosure (Form 51-101F3)	
SCHEDULE "D" – Audit Committee Mandate and Terms of Reference	

INTERPRETATION

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars and the term "\$000s" means thousands of dollars.

Unless the context otherwise requires, references herein to "Second Wave", the "Corporation" or the "Company" are to Second Wave Petroleum Inc.

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.

Unless otherwise specified, information in this Annual Information Form is given as at the end of the Corporation's most recently completed financial year, being December 31, 2008.

DEFINED TERMS

In this Annual Information Form, unless the context otherwise requires, the following words and phrases shall have the meaning set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any amendments thereto and all regulations promulgated thereunder;

"**API**" means the American Petroleum Institute, and "**°API**" is an indication of the specific gravity of crude oil measured on the API gravity scale;

"**Board of Directors**" means the board of directors of the Corporation;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**Common Shares**" means the common shares in the capital of the Corporation as currently constituted;

"**Share Consolidation**" means the 1 for 10 consolidation of the Class A shares of the Corporation (on the basis of one post-consolidation share for every 10 shares held previously) and re-designation of such shares as Common Shares under the ABCA, which was completed on June 25, 2008;

"**Gross**" means:

- (a) in relation to the Corporation's interest in production and reserves, its "company gross reserves", which are the Corporation's working interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest;

"**GLJ**" means GLJ Petroleum Consultants Ltd., independent petroleum consultants, Calgary, Alberta;

"**GLJ Report**" means the March 18, 2009 report prepared by GLJ, evaluating the crude oil, natural gas and NGL reserves of Second Wave, as at December 31, 2008, in accordance with the standards contained in the COGE Handbook and the reserves definitions set out by the Canadian Securities Administrators in NI 51-101 and the COGE Handbook;

"**Milagro**" means Milagro Energy Inc., a corporation acquired by Second Wave in 2008 and amalgamated with the Corporation on January 1, 2009;

"**Net**" means:

- (a) in relation to the Corporation's interest in production and reserves, the Corporation's working interest (operating and non-operating) share after deduction of royalties obligations, plus the Corporation's royalty interest in production or reserves;
- (b) in relation to wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and
- (c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation;

"NGLs" means natural gas liquids;

"NI 51-101" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* adopted by the Canadian Securities Administrators;

"Tax Act" means the *Income Tax Act* (Canada) R.S.C. 1985, c.1 (5th Supp.), as amended;

"TSXV" means the TSX Venture Exchange; and

"WTI" means West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade.

ABBREVIATIONS

Following is a list of certain abbreviations used in this Annual Information Form.

Crude Oil and Natural Gas Liquids:

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
MMbbl	million barrels
NGLs	natural gas liquids

Natural Gas:

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
Btu	British thermal unit
MMbtu	million British thermal units
m ³	cubic metres

Barrels of Oil Equivalent:

BOE	barrels of oil equivalent of natural gas on the basis of 1 BOE for 6 Mcf of natural gas (unless otherwise indicated)
MBOE	one thousand barrels of oil equivalent
MMBOE	one million barrels of oil equivalent
BOE/d	barrels of oil equivalent per day

BARRELS OF OIL EQUIVALENT

This Annual Information Form contains various references to the abbreviation BOE, which means barrels of oil equivalent.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion factor is an industry accepted norm and is not based on either energy content or current prices.

CONVERSION RATIOS

In this Annual Information Form, certain measurements may be given in Standard Imperial Units or in International System of Units (or metric units). The following table sets forth certain standard conversions between the two measurement systems.

<i>To Convert From</i>	<i>To</i>	<i>Multiply By</i>
Mcf	thousand cubic metres ("10 ³ m ³ ")	0.0282
thousand cubic metres	Mcf	35.494
bbl	cubic metres ("m ³ ")	0.159
cubic metres	bbl	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- business plans and strategies;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- the estimated quantity of natural gas, oil, and NGL reserves and recovery rates;
- net present value of future net revenues from reserves;
- projections of market prices for natural gas, oil, and NGL commodities;
- capital expenditure programs and other expenditures;
- oil and natural gas production levels;
- sources of oil and natural gas production growth;
- supply and demand for oil and natural gas;
- projections of foreign currency exchange rates and interest rates;
- treatment under governmental regulatory regimes and tax, environmental, and other laws;
- expected operating costs;
- future operating and financial results;
- realization of the anticipated benefits of acquisitions and dispositions;
- the performance characteristics of the Corporation's oil and natural gas properties;
- projections of commodity prices and costs;
- planned construction and expansion of facilities;
- drilling plans;
- availability of rigs, equipment and other goods and services;
- procurement of drilling licenses;
- reserve life;
- plans for and results of exploration and development activities; and
- expected abandonment and reclamation costs.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- general economic, market and business conditions in Canada, the United States and globally;
- volatility in market prices for oil and natural gas;
- risks inherent in oil and natural gas operations, including production risks associated with sour hydrocarbons;
- operational dependence on other companies;
- uncertainties associated with estimating oil and natural gas reserves;

- competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and services;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- actions by governmental authorities, including increases in taxes;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- failure to obtain industry partner and other third party consents and approvals, when required; and
- the other factors discussed under "Risk Factors" in this Annual Information Form.

The foregoing list of factors should not be construed as exhaustive.

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

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Corporation and its shareholders.

Forward-looking statements and information are based on the Corporation's current beliefs as well as assumptions made by, and information currently available to, the Corporation concerning anticipated financial performance, ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas, oil, and NGLs successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production and reserves through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

The forward-looking statements contained in this Annual Information Form are made as of the date hereof and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

CAUTIONARY NOTE REGARDING DISCLOSURE OF RESOURCES

The determination of oil and gas resources (including reserves) involves the preparation of estimates that have an inherent degree of associated risk and uncertainty. The estimation and classification of resources requires the application of professional judgment combined with geological and engineering knowledge to assess whether specific classification criteria have been satisfied. In accordance with the requirements of NI 51-101, disclosure of resources contained in this Annual Information Form applies the resource terminology and categories set out in the COGE Handbook.

All "in place" volumes of oil and gas resources referred to in this Annual Information Form are classified as "discovered petroleum initially-in-place" within the meaning of the COGE Handbook. The term "discovered petroleum initially-in-place" is equivalent to the term "discovered resources", and is defined in the COGE Handbook to mean 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.

There is no certainty that it will be commercially viable to produce any portion of the resources referred to in this Annual Information Form, none of which have been classified as reserves or as "contingent resources". The term "contingent resources" is defined in the COGE Handbook 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 that can include factors such as

economic, legal, environmental, political, and regulatory matters, or a lack of markets. Accordingly, no portion of the "in place" resource volumes referred to herein represent recoverable volumes at this time.

Second Wave has a 100% interest in the Battle Creek Madison oil pool referred to under "Description of Principal Properties – Battle Creek". Any production that may be realized from this pool is expected to be principally crude oil. The risks and level of uncertainty associated with recovery of the resources include but are not limited to risks associated with oil and gas exploration, development and production, insurance, prices, financial substantial capital requirements, bank financing, third party risk, competition, environment, reserves replacement, permits and licences, incorrect assessments of value, fluctuations in exchange rates, aboriginal claims, issuance of debt, availability of drilling equipment, title defects, uncertainty of reserve information and government regulation and taxation. Significant positive factors relevant to the Battle Creek Madison resource estimate are the advancement of drilling and completion technologies used to extract oil from this formation, a general reduction in the oilfield service cost structure and additional production and pressure data from the pool in question. Significant negative factors relevant to the Battle Creek Madison resource estimate are the volatility in commodity pricing, uncertainty associated with financing substantial capital requirements, sourcing appropriate drilling and completions equipment, operational execution, bank financing and general risk with the current business environment.

CORPORATE STRUCTURE

The Corporation's full corporate name is Second Wave Petroleum Inc. Its head and registered offices are located as follows:

Head Office:

Suite 1700, 520 - 5th Avenue S.W.
Calgary, Alberta T2P 3R7

Registered Office:

Suite 4500, 855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7

Second Wave is the continuing corporation following the amalgamation of Second Wave Petroleum Inc. and its wholly owned subsidiary, Milagro Energy Inc., under the ABCA on January 1, 2009.

The Corporation does not currently have any subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

All share numbers and prices referred to under this section are expressed on a post-consolidation basis after giving effect to the Share Consolidation.

The business of the Corporation commenced in 2004 as a privately-held petroleum and natural gas company operating as WaveForm Energy Limited Partnership 1 and WaveForm License Holdings Inc. ("WaveForm"), which was subsequently renamed WaveForm Energy Ltd. WaveForm completed its initial public offering on December 22, 2004 for gross proceeds of \$10,632,000 and acquired the net assets of WaveForm Energy Limited Partnership 1.

The following is a summary of the development of the Corporation's business over the last three completed financial years.

On April 25, 2006, the Corporation (then named WaveForm Energy Ltd.) closed an acquisition of a limited partnership that held producing gas properties in the Ferrier and Rowley areas of Alberta from a privately-held arms-length company for \$18.5 million in cash. On May 9, 2006, the Corporation disposed of certain non-core oil and gas assets in the Antler area of Southeast Saskatchewan for \$7.1 million.

On March 23, 2007, the Corporation entered into a farm out agreement with a private U.S. based oil and gas company (the "Farmee") whereby the Farmee could earn a 70% working interest in the Corporation's non-producing land holdings in the Tableland area of southeast Saskatchewan. The Farmee drilled a Sanish horizontal well during the fall of 2007 and earned a 70% working interest (after payout) in the section comprising the Sanish well. In the summer of 2008, the Farmee and its partner earned a 70% interest in the remainder of certain horizons of the Corporation's Tableland non-producing holdings by drilling a second Sanish horizontal well.

On May 7, 2007, the Corporation acquired Stone Castle Exploration Ltd. ("Stone Castle"), a private oil and gas company with interests in properties held jointly with the Corporation in Tableland, Saskatchewan, for an aggregate purchase price of \$1.2 million payable through the issuance (after giving effect to the Share Consolidation) an aggregate of 619,250 shares and

619,250 warrants of the Corporation. Any unexercised warrants expired on December 31, 2008. Subsequent to this transaction, the Corporation owned 100% interest in the majority of its lands at Tableland.

On September 17, 2007, the Corporation changed its name to Second Wave Petroleum Ltd.

On October 26, 2007, Second Wave closed the acquisition of certain oil and natural gas assets in the Provost area of Alberta for a cash purchase price of approximately \$9.1 million, subject to certain adjustments. The right to purchase these assets was assigned to Second Wave by Brookfield Bridge Lending Fund Inc. ("Brookfield"), who then owned approximately 23% of the Class A shares of Second Wave and had two representatives on the Board of Directors. The proceeds paid by Second Wave include sufficient funds to satisfy any liens or encumbrances that may be outstanding on the properties.

On May 8, 2008, Second Wave acquired approximately 68.8% of the outstanding shares of Milagro, a corporation with operations located principally in the Judy Creek area of Alberta and the Battle Creek area of Saskatchewan. Through successive extensions of its take-over bid for the Milagro shares and, ultimately, the exercise of compulsory acquisition rights under the ABCA to acquire all remaining shares not tendered to the bid, Second Wave completed the Milagro acquisition on August 30, 2008.

The aggregate purchase price (not including assumed debt) of the Milagro shares was approximately \$26 million, payable through the issuance of (after giving effect to the Share Consolidation) an aggregate of 499,530 shares and 499,530 warrants of the Corporation, each exercisable for one common share at an exercise price of \$4.00 per share. The warrants expired on May 8, 2009. The Corporation also assumed Milagro net debt of approximately \$24 million. At the time of acquisition, the assets acquired consisted of approximately 280 boe/d (50% oil) of high working interest oil weighted production and added two key operating areas in Judy Creek, Alberta and Battle Creek, Saskatchewan with large undeveloped land bases and Company-owned and operated processing facilities. For a description of the oil and gas properties acquired pursuant to the Milagro Acquisition see "Description of Principal Properties – Judy Creek" and "Description of Principal Properties – Battle Creek".

The Milagro acquisition was the only acquisition completed by the Corporation during its most recently completed financial year that constitutes a "significant acquisition" within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations*. A business acquisition report in respect of the Milagro acquisition has been filed and is available electronically at www.sedar.com.

On June 25, 2008, the Corporation changed its name to Second Wave Petroleum Inc.

Share Capital Transactions

On March 8, 2006, Second Wave completed a \$10,000,200 private placement consisting of an offering of 291,670 shares issued on a "flow through" basis under the Tax Act for gross proceeds of \$7,000,080 and a non-flow through offering of 163,050 shares for gross proceeds of \$3,000,120.

On January 15, 2007, Second Wave completed a \$4,000,000 private placement of 3,200,000 units at a price of \$1.25 per unit. Each unit consisted of one share and one warrant of the Corporation, with each warrant exercisable for one share at escalating exercise prices between \$1.25 per share and \$4.00 per share. An aggregate of \$1,699,125 was received by the Corporation on the exercise of 1,355,800 warrants during 2007 and 2008. Any unexercised warrants expired on December 31, 2008.

On September 11, 2007, Second Wave completed a \$5,005,000 private placement of 4,550,000 units at a price \$1.10 per unit. Each unit consisted of one share and one warrant of the Corporation, with each warrant exercisable for one share (to be issued on a "flow through" basis under the Tax Act) at an exercise price of \$1.20 per share. In addition to the exercise of warrants by Brookfield as subsequently discussed, an aggregate of \$235,600 was received by the Corporation on the exercise of 213,000 warrants during 2007 and 2008. Any unexercised warrants expired on December 31, 2008. Brookfield backstopped the offering and subscribed for 2,928,864 units.

On January 15, 2008, Brookfield exercised warrants to acquire 3,778,864 shares of the Corporation for proceeds of approximately \$4.7 million to Second Wave. This resulted in Brookfield holding an aggregate of 6,707,727 shares, representing approximately 39% of the shares then outstanding.

On January 17, 2008, Brookfield exercised its option to convert its \$9.0 million variable rate secured convertible debenture into 8,181,818 shares, representing approximately 32% of the shares then outstanding and increasing Brookfield's total common equity interest in the Corporation to approximately 58% at the time.

Also on January 17, 2008, Second Wave completed a \$1,080,880 private placement of 600,489 units to members of management and directors of the Corporation at a price \$1.80 per unit. Each unit consisted of one share (issued on a "flow through" basis under the Tax Act) and one warrant of the Corporation, with each warrant exercisable for one share at an exercise price of \$2.00 per share. The warrants expire on January 17, 2010. All 600,489 warrants remain outstanding as at the date hereof.

On May 8, 2008, the Corporation issued 4,000,000 units to Brookfield at a price of \$2.50 per unit for gross proceeds of \$10,000,000. Each unit consisted of one share and 0.6 of a warrant of the Corporation, with each whole warrant exercisable for one share at an exercise price of \$3.125 per share. The proceeds of the offering were used to refinance the debt assumed by Second Wave in connection with the Milagro acquisition. This transaction increased Brookfield's total shareholdings in the Corporation to approximately 63% of the shares then outstanding.

On May 26, 2008, Second Wave exercised its right to convert all of its outstanding Class B shares into Class A shares on the basis of 10 Class A shares each Class B share. An aggregate of 935,616 Class A shares were issued on the conversion of the then outstanding Class B shares. On June 25, 2008, the outstanding Class A shares were consolidated on a one for ten basis, the Class B shares were removed from the Corporation's authorized share capital, and the Class A shares were re-designated as Common Shares.

Recent Developments

On February 17, 2009, the Corporation completed an equity financing for aggregate gross proceeds of approximately \$3,980,000. A total of 6,015,131 common shares were issued and sold by the Corporation on a "flow through" basis under the Tax Act, with 5,757,575 common shares purchased by Brookfield at a price of \$0.66 per share for gross proceeds of \$3,800,000 and 257,556 common shares purchased by certain members of management at an issue price of \$0.70 per share for gross proceeds of approximately \$180,000. The shares sold to Brookfield were issued on a basis requiring that Second Wave incur \$3,800,000 in eligible Canadian Development Expenses before February 28, 2011, with expended amounts to be renounced in the year of expenditure. With respect to the remainder, the Corporation is required to incur approximately \$180,000 in eligible Canadian Exploration Expenses before December 31, 2010 and to renounce such amount to subscribers for the 2009 tax year.

Following completion of the February 17, 2009 financing, Brookfield holds approximately 66.7% of the outstanding common shares (24,647,120 shares).

Credit Facilities

In connection with the closing of its acquisition on October 26, 2007 of certain oil and natural gas assets in the Provost area of Alberta, Second Wave secured \$8,000,000 in financing from a Canadian financial institution comprised of a \$6,000,000 revolving operating line and a \$2,000,000 development facility. The \$2,000,000 development facility was repaid in January 2008 and the revolving operating line was increased to \$18,000,000 on May 8, 2008.

In connection with its acquisition of Milagro on May 8, 2008, Second Wave financed repayment of the Milagro debt, in part, through a new term loan facility with Brookfield for \$7,500,000 due on May 8, 2010 and bearing interest at the bank's prime rate plus 2%.

As at December 31, 2008 the Corporation had a credit facility with a Canadian financial institution consisting of an \$18,000,000 demand revolving operating line. The line is subject to annual review, bears interest at the lender's prime rate plus 0.4% and is secured by the assets of the Corporation. The facility includes a \$320,539 letter of guarantee posted for potential contingent liabilities in connection with a previous asset acquisition.

Recent Developments

On April 3, 2009, the Corporation signed a commitment letter with the lender for a new \$18,000,000 facility consisting of a \$12,500,000 demand revolving operating line and a \$5,500,000 non-revolving term loan. The commitment letter

contemplates that the revolving line will bear interest at the lender's prime rate plus 1.5% while the non-revolving portion will bear interest at the lenders' prime rate plus 5%. A re-determination of the borrowing base for the facility will occur on or before September 30, 2009. The new credit facility arrangements are subject to the satisfaction of customary closing conditions, including the negotiation, execution and delivery of definitive agreements. As at May 13, 2009, the Corporation has drawn approximately \$16.4 million on the current facility.

DESCRIPTION OF THE BUSINESS

General

Second Wave is a Calgary, Alberta based oil and gas company engaged in the exploration, development and production of oil and natural gas in the Western Canadian Sedimentary Basin. The Corporation's focus is to increase its underlying value through a combination of strategic acquisitions and a focused exploration development and exploitation program. Over the next few years it is Second Wave's intent to establish a portfolio of assets of varying maturity to maintain the overall predictability of the Corporation's cash flow stream. When possible, the Corporation will operate its assets working in areas with year round access, thereby minimizing time delays between prospect generation and first production and maintaining more efficient cost controls.

Growth Strategy

The strategy of Second Wave is to grow through acquisition, exploitation, development and selective grass roots exploration of oil and natural gas properties. Second Wave's mandate has been to build the Corporation on the fundamentals of solid earnings, manageable debt, positive cash flow and a balance of risk to rewards. Since the re-capitalization in January 2008, the Corporation has focused all of its development and exploration efforts on oil resource plays.

Second Wave's business plan is to grow the Corporation with an integrated strategy including acquisitions, development and exploration drilling, farm-in opportunities, joint ventures, land acquisitions and exploitation focusing on the Corporation's core areas. The Corporation plans to pursue a portfolio of crude oil resource prospects. However, the Corporation will be largely opportunity driven and will focus its expenditures on opportunities that provide the greatest economic return, recognizing that all drilling involves substantial risk and that a high degree of competition exists for prospects. No assurance can be given that drilling will prove successful in establishing commercially recoverable reserves. See "Risk Factors".

To achieve sustainable and profitable growth, the Corporation believes in controlling the timing, costs and future development of its projects whenever possible. Accordingly, the Corporation will seek to become the operator of its projects to the greatest extent possible. The Corporation currently operates over 88% of its production base and has historically focused the majority of its capital expenditures in its 100% working interest core areas of Provost, Judy Creek and Battle Creek.

It is anticipated that any future acquisitions will be financed through a combination of equity and/or debt. The Corporation will seek out, analyze and complete asset and/or corporate acquisitions where value creation opportunities have been identified that have the potential to increase shareholder value and returns, taking into account the Corporation's financial position, taxability and access to debt and equity financing. The Board of Directors may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to these guidelines based upon the board of directors' consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life index and asset quality.

Specialized Skill and Knowledge

Second Wave's management team has all of the key components to a successful exploration and production company: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; over 90 years of experience in oil and gas exploration and development in Western Canada; and an entrepreneurial spirit that allows Second Wave to effectively identify, evaluate and execute on value-added initiatives. See "Directors and Executive Officers".

Competitive Conditions

Companies operating in the petroleum industry must manage risks which are beyond the direct control of company personnel. Among these risks are those associated with exploration, environmental damage, commodity prices, foreign exchange rates and interest rates.

The oil and natural gas industry is intensely competitive and Second Wave will be required to compete with a substantial number of other corporations which may have greater technical or financial resources. With the maturing nature of the Western Canadian Sedimentary Basin, the access to new prospects is becoming more and more competitive and complex. Management believes that Second Wave will be able to explore and develop new production and reserves with the objective of increasing its cash flow and reserve base.

Second Wave will attempt to enhance its competitive position by operating in areas where its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because they are familiar with the areas of operation.

Cycles

The Corporation's business is generally not cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where drilling is to be conducted. Seasonal weather variation, including freeze-up and break-up affect access in certain circumstances. All of Second Wave's current properties are accessible year round, except during spring break-up.

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation can require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness. See "Industry Conditions – Environmental Regulation".

Employees

As at May 14, 2009, Second Wave had eleven full-time employees, one part-time consultant and eight contract operators providing services in the field.

Environmental, Health and Safety Policies

The oil and gas industry is subject to environmental regulation pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and gas industry operations, and requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2008, Second Wave recorded a provision on its balance sheet of \$6.157 million for asset retirement obligations. Second Wave maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. Second Wave also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure.

DESCRIPTION OF PRINCIPAL PROPERTIES

The following is a description of Second Wave's principal oil and natural gas properties and minor exploration properties as at December 31, 2008. Unless otherwise specified, gross, net acres, well count and production information are as at December 31, 2008.

Provost

In the greater Provost area of Alberta, Second Wave holds 7,720 gross (7,516 net) acres of land and owns and operates approximately 95% of the facilities and infrastructure in the immediate area. Production during the fourth quarter of 2008

was 507 boe/d (67% oil weighted) from various Mannville formations in the Provost fields of Provost proper and Coronation. The greater Provost properties were purchased in October 2007, with a significant amount of capital in 2008 directed to the area. The production is predominantly oil weighted with the produced oil ranging in quality from 21° to 29° API gravity. In 2008, in the Provost proper field, Second Wave drilled 2 gross (2 net) horizontal development wells, drilled 4 gross (4 net) vertical wells, performed 13 gross (13 net) re-completions and expended approximately \$1,977,000 in facility enhancements and maintenance. Late in 2008, in the Coronation field, Second Wave tied in five of the producing oil wells into a single facility as a measure to increase production and lower operating costs. In 2009, to further develop and delineate existing producing pools the company has successfully drilled 1 gross (1 net) vertical well and is budgeting up to 3 gross (3 net) horizontal oil wells. These opportunities have been identified using Second Wave's existing 3-D seismic data which covers the Provost proper field.

Battle Creek

Through its acquisition of Milagro in 2008, Second Wave holds 15,887 gross (14,439 net) acres of land in the Battle Creek area of Saskatchewan, and owns and operates all of the pipeline infrastructure and oil and gas processing facilities in the immediate area. Production during the fourth quarter of 2008 was 127 boe/d of which 67% was crude oil. In Battle Creek, the Corporation owns the Madison oil pool, which has proved and probable reserves at year end booked at a 12% recovery factor with 4% produced to date and 8% or 1,433 mboe remaining to be produced. The Madison oil pool is estimated to contain 18 mmbbl of original oil in place based on a third party engineering report having an effective date of November 1, 2007. See "Cautionary Note Regarding Disclosure of Resources". There is no certainty that it will be commercially viable to produce any portion of these resources. In 2009, the Corporation intends to further develop the pool by drilling up to 4 gross (4 net) horizontal oil well and implementing a pilot CO2 flood. Based on off-setting analog pool data the Corporation believes that there is potential to significantly increase the oil recovery factor from the pool through developmental drilling and enhanced oil recovery. The Corporation has 3-D seismic coverage over its entire Battle Creek oil field.

Judy Creek

Through its acquisition of Milagro in 2008 and subsequent activities, Second Wave currently holds 45,280 gross (39,902 net) acres of contiguous land in the Judy Creek area of Alberta. All of the Corporation's production is treated and processed at Company-owned and operated facilities, including an oil treating facility with capacity for 4,000 bbl of emulsion per day and a gas processing plant with 3 mmcf/d of capacity. Production for the fourth quarter of 2008 was 33 boe/d of which 73% was crude oil. Judy Creek is an area that in 2008 had high operating costs as a result of the impact of fixed costs on the low amount of throughput through the above noted facilities. In the fall of 2008, the Corporation shot a 9 square mile 3-D seismic survey with the objective of increasing production and generating larger economies of scale. In 2009, the Corporation has utilized the acquired seismic data to successfully drill 1 gross (1 net) horizontal and 1 gross (1 net) vertical well. Based on this drilling success the Corporation has plans for up to 6 gross (6 net) additional horizontal wells.

Tableland

At December 31, 2008, Second Wave owned approximately 47,630 gross (21,480 net) acres in the Tableland area of southeast Saskatchewan. The Corporation's share of production is 38° API gravity oil from 11 horizontal wells in the Midale/Ratcliff zone. In 2008 production averaged 79 bbl/d from the 11 wells. Second Wave has a 100% working interest in the lands producing from the Midale/Ratcliff zone. The Midale/Ratcliff evaporite formation in Tableland is a carbonate reservoir that consists of thin, low permeability dolomite and limestone layers. Naturally fractured rock in this formation is essential for economic production, as the matrix permeability is low. The Midale/Ratcliff formation has been mapped over 20 continuous sections in Tableland. Second Wave is currently evaluating the various development scenarios for the Midale pool in conjunction with its ongoing exploration program in the Sanish sand.

Pursuant to a farm out agreement entered into in March 2007, a private U.S.-based oil and gas company and its partner has earned a 70% working interest in the Corporation's non-producing land holdings in the Tableland area. Second Wave will be working with these companies to evaluate an appropriate development strategy for this resource.

Rowley

Second Wave has 2,720 gross (2,720 net) acres of land in the Rowley area of Alberta. The Corporation currently produces predominately natural gas from three wells. Two 100% working interest well produces from the Mannville, Pekisko and Banff formations while a 70% well produces from the Mannville zone. Rowley production during the fourth quarter of 2008

averaged 66 boe/d. In 2006, the Corporation shot 8 square miles of 3-D seismic in the Rowley area and drilled a 100% working interest well in the third quarter of 2007. Second Wave has utilized its 3-D seismic data to identify one exploration well and one development well to drill in its 2009/2010 capital program, to further delineate and develop the Mannville and Banff pools.

Ferrier

Second Wave has 2,080 gross (720 net) acres and 12 square miles of 3-D seismic in the Ferrier area of Alberta. The Corporation produces from two wells in the Shunda and Eilerslie zones with production weighted to natural gas. Second Wave has a 37.5% non operated working interest in two wells. Company share of production for the fourth quarter was 63 boe/d. There is one potential location remaining to be drilled in the Shunda zone and a re-completion to be done in the Rock Creek formation. The economics of downspacing the Shunda formation are currently being reviewed by Second Wave due to the large volumes of gas in place and the tight nature of the formation. Second Wave is not expecting that the existing acreage would receive down spacing approval in 2009, and thus no drilling or completion operations have been planned for this area in the year.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Attached as Schedule "A" hereto is the Statement of Reserves Data and Other Oil and Gas Information (on Form 51-101F1) of Second Wave as at December 31, 2008, which is based upon the GLJ Report. Also attached, as Schedules "B" and "C", respectively, are the corresponding Report on Reserves Data by Independent Qualified Reserves Evaluator (Form 51-101F2) and Report of Management and Directors on Oil and Gas Disclosure (Form 51-101F3).

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia, and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Corporation's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing - Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the markets, the value of refined products, the supply/demand balance, and other contractual terms. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m³/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements, and market considerations.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro rationing of capacity on the inter provincial pipeline systems also continues to affect the ability to export oil and natural gas.

Provincial Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil, NGLs, sulphur, and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced. Other royalties and royalty like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and funds from operations of such producers. However, the trend in recent years has been for provincial governments to eliminate, amend or allow such incentive programs to expire without renewal, and consequently few such incentive programs are currently operative.

The Canadian federal corporate income tax rate levied on taxable income is 19% effective January 1, 2009 for active business income including resource income, decreasing to 15% as follows: 18% on January 1, 2010, 16.5% on January 1, 2011 and 15% on January 1, 2012.

Alberta

In Alberta, companies are granted the right to explore, produce and develop petroleum and natural gas resources in exchange for royalties, bonus bid payments and rents.

The Alberta Government implemented a new oil and gas royalty framework effective January 2009. The new framework establishes new royalties for conventional oil, natural gas and bitumen that are linked to price and production levels and apply to both new and existing conventional oil and gas activities and oil sands projects. Under the new framework, the formula for conventional oil and natural gas royalties uses a sliding rate formula, dependant on the market price and production volumes. Royalty rates for conventional oil range from 0% to 50%. Natural gas royalty rates range from 5% to 50%.

In November 2008, the Alberta Government announced that companies drilling new natural gas and conventional oil wells at depths between 1,000 and 3,500 metres, spud between November 19, 2008 and December 31, 2013, will have a one-time option of selecting new transitional royalty rates or the new royalty framework rates. The transition option provides lower royalties in the initial years of a well's life. For example, under the transition option, royalty rates for natural gas wells will range from 5% to 30%. The election must be made prior to the end of the first calendar month in which the leased substance is produced. All wells using the transitional royalty rates must shift to the new royalty framework rates on January 1, 2014.

The Deep Oil Exploration Program ("DOEP") and the Natural Gas Deep Drilling Program ("NGDDP") are new programs that began January 1, 2009. These programs provide upfront royalty adjustments to new wells. To qualify for such royalty adjustments under the DOEP, exploration wells must have a vertical depth greater than 2,000 metres with a Crown interest and must be spud after January 1, 2009. These oil wells qualify for a royalty exemption on either the first \$1,000,000 of royalty or the first 12 months of production. The NGDDP applies to wells producing at a true vertical depth greater than 2,500 metres. The NGDDP will have an escalating royalty credit in line with progressively deeper wells from \$625 per metre to a maximum of \$3,750 per metre. There are additional benefits for the deepest wells. Both the DOEP and the NGDDP are five year programs. Any wells spud after December 31, 2013, or any wells that choose the transition option, will not qualify under either program. No royalty adjustments will be granted under either the DOEP or the NGDDP after December 31, 2018.

On March 3, 2009, the Alberta government announced a three-point incentive program. This incentive program includes a drilling royalty credit for new oil and natural gas wells drilled between April 1, 2009 and March 31, 2010, providing a \$200-per-metre-drilled royalty credit to companies on a sliding scale based on their production levels from last year. There is also a new well incentive program that provides a maximum 5% royalty rate for the first 12 months of production from new wells that begin producing oil or natural gas between April 1, 2009 and March 31, 2010 to a maximum of 50,000 barrels of oil or 500 million cubic feet of natural gas. The Province of Alberta will also invest \$30 million in a fund committed to abandonment and reclamation projects where there is no legally responsible or financially able party to deal with the clean-up of inactive wells.

Saskatchewan

In Saskatchewan, the amount payable as a royalty in respect of oil depends on the vintage of the oil, the type of oil, the quantity of oil produced in a month, and the value of the oil. For Crown royalty and freehold production tax purposes, crude oil is considered "heavy oil", "southwest designated oil", or "non heavy oil other than southwest designated oil". There are separate reference prices established for each type of oil which represent the average wellhead price (in \$/m3) received by producers during the month for sales of that oil type in Saskatchewan.

The Crown royalty share of production volume is calculated on each individual well using the applicable royalty rate to the volume of oil produced from the well each month. The Crown royalty share is calculated by multiplying the Crown royalty volume determined for each well by the wellhead value of the oil for the month. A separate cost sensitive royalty structure applies to incremental production from enhanced oil recovery projects, which incorporates lower royalty and freehold production tax rates before the project reaches payout of investment and operating expenditures.

The amount payable as a royalty in respect of natural gas is determined by a sliding scale based on a reference price (which is the greater of the amount obtained by the producer and a prescribed minimum price), the quantity produced in a given month, the type of natural gas, and the vintage of the natural gas. Each month, the royalty rates are adjusted based on the level of the Provincial Average Gas Price ("PGP") established by the Province monthly. The PGP represents the weighted average fieldgate price (expressed in \$/103m3) received by producers during the month for the sale of all gas subject to royalty. Crown royalty of the production volume is calculated on each individual well using the applicable royalty rate to the volume of gas produced by each well on a monthly basis.

The operator must elect to use either the PGP or the Operator Average Gas Price ("OGP") for purposes of valuing the Crown's royalty share of the production volume from each well. The OGP is determined each month by the operator and represents the weighted average fieldgate price (\$/103m3) received by the operator for sales of gas during the month. The Crown royalty share is calculated by multiplying the Crown royalty volume determined for each well by the wellhead value of the gas for the month.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Environmental legislation in the Province of Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (Alberta) (the "EPEA"), which came into force on September 1, 1993, and the *Oil and Gas Conservation Act* (Alberta) (the "OGCA"). The EPEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations, and significantly increased penalties.

Alberta regulates greenhouse gas ("GHG") emissions under the *Climate Change and Emissions Management Act*, the *Specified Gas Reporting Regulation* (the "SGRR"), which imposes GHG emissions reporting requirements, and the *Specified Gas Emitters Regulation* (the "SGER") which imposes GHG emissions limits. Under the SGRR, the Corporation must report if it has GHG emissions of 100,000 tonnes or more from a facility in any year. Under the SGER, GHG emission limits apply once a facility has direct GHG emissions in a year of 100,000 tonnes or more. Under the SGER, any facility coming into commercial production after 2000 will be considered a new facility and will be required to reduce its emission intensity (e.g. tonnes of GHGs emitted per unit of production) by 2% per year beginning in its fourth year of commercial operation, up to an aggregate 12% reduction from the emissions intensity level of its third year of commercial operation.

Industries have three options to choose from in order to meet the reduction requirements outlined in this legislation, and these are: (i) by making improvement to operations that result in reductions; (ii) by purchasing emission credits from other sectors or facilities that have emissions below the 100,000 tonne threshold and are voluntarily reducing their emission; or (iii) by contributing to the Climate Change and Management Fund. Industries can either choose one of these options or a combination thereof.

The Alberta government recently announced its intention to raise the price of fund credits and increase the required reductions in GHG emissions intensity to unspecified levels. In addition, Alberta facilities must currently report emissions of industrial air pollutants and comply with obligations imposed in permits and under environmental regulations.

The Corporation will be committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment, and will be taking such steps as required to ensure compliance with the EPEA, SGRR, SGER and similar legislation in other jurisdictions in which it operates. The Corporation believes that it is in material compliance with applicable environmental laws and regulations. The Corporation also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

On January 24, 2008, the Alberta Government announced a new climate change action plan that will cut Alberta's projected 400 million tonnes of emissions in half by 2050. This plan is based on three areas: (i) carbon capture and storage, which will be mandatory for in situ oil sand facilities that use heavy fuels for steam generation; (ii) energy conservation and efficiency; and (iii) greening production through increased investment in clean energy technology, including supporting research on new oil sands extraction processes, as well as the funding of projects that reduce the cost of separating carbon dioxide from other emissions supporting carbon capture and storage.

On March 10, 2008, the Government of Canada released "Turning the Corner – Taking Action to Fight Climate Change" (the "Updated Action Plan") which provides some additional guidance with respect to the Government of Canada's plan to reduce greenhouse gas emissions by 20% by 2020 and by 60% to 70% by 2050. The Updated Action Plan is primarily directed towards industrial emissions from certain specified industries including the oil sands, oil and gas and refining industries. The Updated Action Plan is intended to force industry to reduce greenhouse gas emissions and to create a carbon emissions trading market, including an offset system, to provide incentive to reduce GHG emissions and establish a market price for carbon.

Canada is a signatory to the United Nations Framework Convention on Climate Change. The Canadian federal government has indicated an intention to regulate emissions of industrial GHG emissions from a broad range of industrial sectors in the

Regulatory Framework for Air Emissions released April 26, 2007 (the "Framework") and updated in a March 10, 2008 document entitled *Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions* (collectively, the "Federal Plan"). The Federal Plan outlines proposed policies to reduce GHG emissions intensity of regulated facilities starting January 2, 2010. New facilities will face intensity reduction requirements, beginning in their fourth year of commercial production, of 2% per year from their 'baseline' emissions intensity (e.g. the emissions intensity of their third year of commercial production) until at least 2020. Targets will be based on a "cleaner fuel standard" (i.e. the use of natural gas as a fuel) for new facilities commencing production before 2012, although new facilities commencing production in 2012 or later that are built "carbon-capture ready" will not need to meet the cleaner fuel standard until 2018. Compliance options under the Federal Plan include: making emissions intensity improvements, making investments in certified carbon capture and storage projects (until 2018), buying offsets or emissions performance credits, and, for a portion of each entity's emissions reduction obligations (the portion would start at 70% and decline to 0% in 2018), making payments of \$15/ton until 2012, then \$20 or more/ton, to the federal technology fund.

The Canadian federal government currently proposes to enter into equivalency agreements with provinces to establish a consistent regulatory regime for GHGs and industrial air pollutants, but the success of any such plan is uncertain, possibly leaving overlapping levels of regulation. Further, since the U.S. presidential elections, announcements from the Canadian federal government indicate an interest in creating a North American cap and trade system with "hard caps" on emissions from facilities rather than emissions intensity limits. No assurance can be given that either a modified Federal Plan or a North American cap and trade system will or will not be implemented, or what obligations might be imposed under any such system.

The Framework also outlines proposed requirements by the Canadian federal government governing the emission of industrial air pollutants starting in 2010. Proposed compliance mechanisms include fixed emission caps and an emissions credit trading system for certain industrial air pollutants, as well as several options from which companies may choose to meet GHG emission reduction targets. The current status of these proposals is unclear. The Canadian federal government currently imposes reporting obligations under the *Canadian Environmental Protection Act, 1999* for facilities that create GHG emissions over 100,000 tons in any year.

Given the evolving nature of the debate related to climate change and the control of GHG emissions and resulting requirements, it is not currently possible to predict either the nature of those requirements or the impact on the Corporation and its operations and financial condition at this time.

Trends

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business.

The first trend is the volatility of commodity prices. Natural gas is a commodity influenced by factors within North America. A tight supply-demand balance for natural gas causes significant elasticity in pricing, whereas higher than average storage levels tend to depress natural gas pricing. Drilling activity, weather, fuel switching and demand for electrical generation are all factors that affect the supply-demand balance. Recently, liquefied natural gas shipments to North America have also resulted in natural gas supply and natural gas pricing being based more on factors other than supply and demand in North America. Changes to any of these or other factors create price volatility.

Crude oil is influenced by the world economy, Organization of the Petroleum Exporting Countries' ability to adjust supply to world demand and weather. Crude oil prices have been kept high by political events causing disruptions in the supply of oil and concern over potential supply disruptions triggered by unrest in the Middle East and, more recently, have been impacted by weather and increased storage levels. Political events trigger large fluctuations in price levels.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent times, the Canadian dollar has increased materially in value against the United States dollar. Such material increases in the value of the Canadian dollar may negatively impact production revenues from Canadian producers and further increases in the value of the Canadian dollar would exacerbate this negative impact. Such increases may also negatively impact the future value of such entities' reserves as determined by independent evaluators.

A second trend within the Canadian oil and gas industry is the "renewal" of private and small junior oil and gas companies starting up business. These companies often have experienced management teams from previous industry organizations that have disappeared as a part of the ongoing industry consolidation. Many are able to raise capital and recruit well qualified personnel. To the extent that this trend continues, the Corporation will have to compete with these companies and others to attract qualified personnel.

A third trend currently affecting the oil and gas industry is the impact on capital markets caused by investor uncertainty in the North American and global economies. Aside from the general economic conditions that developed in 2008 and have continued into 2009, capital market volatility in Canada with respect to the oil and gas industry has also been affected by uncertainties concerning the economic impact that various environmental initiatives will have on the sector and changes to the Alberta royalty regime. Increased uncertainty within the credit and capital markets has led to an increase in the costs associated with debt and equity financings.

Amendments to the Tax Act with respect to the taxation of income trusts and other "specified investment flow-through" entities ("SIFTs") also affect entities in the Canadian oil and gas industry other than SIFTs. By effectively increasing the cost of capital for SIFTs and restricting such entities to "normal growth" without "undue expansion", the amendments may adversely affect a SIFT's ability to purchase producing assets from oil and gas exploration and production companies (as well as the price it is willing to pay for such an acquisition). This may in turn affect the likelihood or basis upon which an exploration and production company might be acquired by a SIFT, which has been a key "exit strategy" in recent years for oil and gas companies. This may be a benefit for the Corporation as it will compete with SIFTs for the acquisition of oil and gas properties from junior producers. However, it may also limit the Corporation's ability to sell producing properties or pursue an exit strategy.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines

from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation.

Financial Risks

In 2007 and into 2008, the U.S. credit markets began to experience serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, subprime and non-prime mortgages) and a decline in credit quality of mortgage backed securities. These problems led to a slowdown in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions worsened through 2008 and continued into 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets, resulting in the collapse of and 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 government actions, particularly in the United States and Europe, 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 through the latter part of 2008 and into 2009. General economic indicators have also deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

As a result of the weakened global economic situation, the Corporation, along with all other participants in the oil and gas industry, may have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. Although the Corporation's business and asset base have not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and the Corporation's securities in particular.

The current economic conditions increase the risk of the Corporation being unable to obtain necessary additional financing on acceptable terms or at all. The failure of the Corporation to obtain additional financing on a timely basis or on terms favourable to the Corporation could result in the loss or substantial dilution of the Corporation's interests (as existing or as proposed to be acquired) in its properties and otherwise adversely affects the Corporation's ability to carry on its business as planned.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core

assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Operational Dependence

Other companies operate some of the assets in which the Corporation has an interest. As a result, the Corporation will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others will therefore depend upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

The Corporation will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Competition

The petroleum industry is competitive in all its phases. The Corporation will compete with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "Industry Conditions". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's intended business, financial condition and results of operations. In order to conduct oil and gas

operations, the Corporation will require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by new legislation or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Corporation and its operations and financial condition. See "Industry Conditions – Environmental Regulation".

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The prices of oil and natural gas prices may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions, in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Corporation's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Corporation may, in part, be determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of the Corporation's bank debt be repaid.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Such material increases in the value of the Canadian dollar have negatively impacted the Corporation's production revenues. Further material increases in the value of the Canadian dollar would exacerbate this negative impact. This increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates could accordingly impact the future value of the Corporation's reserves as determined by independent evaluators.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, which could negatively impact the market price of the Common Shares of the Corporation.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, 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 the Corporation or favourable to the then current shareholders. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Continued uncertainty in domestic and international credit markets could materially affect the Corporation's ability to access sufficient capital for its capital expenditures and acquisitions and, as a result, may have a material adverse effect on the Corporation's ability to execute its business strategy and on its financial condition. There can be no assurance that financing will be available or sufficient to meet these requirements or for other corporate purposes or, if financing is available, that it will be on terms appropriate and acceptable to the Corporation.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Corporation.

Bank Financing

The Corporation currently has a credit facility with a Canadian financial institution consisting of an \$18,000,000 demand revolving operating line. As at May 13, 2009, the Corporation has drawn approximately \$16.4 million on the current facility. See "General Development of the Business – Credit Facilities".

The review of the credit facility has recently been completed. Reviews focus on the borrowing base supporting lending limits and are influenced by the lenders' willingness to lend in general, commodity price forecasts used to determine the lending base, reserves, lenders' interest in particular business sectors, such as energy, and the relative strength of the borrower. The

Corporation has signed a commitment letter with the lender for a new \$18,000,000 facility consisting of a \$12,500,000 demand revolving operating line and a \$5,500,000 non-revolving term loan. The new credit facility arrangements are subject to the satisfaction of customary closing conditions, including the negotiation, execution and delivery of definitive agreements.

Issuance of Debt

From time to time the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim which could result in a reduction of the revenue received by the Corporation.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's oil and gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's reserves since that date.

Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's net production revenue.

In addition, the Corporation's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack it could have a material adverse effect on the Corporation. The Corporation will not have insurance to protect against the risk from terrorism.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Management of Growth

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

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

Dividends

To date, Second Wave has not declared or paid any dividends on the outstanding Common Shares. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of Second Wave's earnings, financial requirements and other conditions existing at such future time. At present, Second Wave does not anticipate declaring and paying any dividends in the near future.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful this could have an adverse effect on the Corporation and its operations.

Seasonality

The level of activity in the Canadian oil and 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 oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Conflicts of Interest

Certain directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "Directors and Executive Officers – Conflicts of Interest".

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation does not have any key person insurance in effect for the Corporation. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

DIVIDENDS

Second Wave has not declared or paid any dividends on the Common Shares or preferred shares during the three most recently completed financial years. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of Second Wave's earnings, financial requirements and other conditions existing at such future time. There are no restrictions that could prevent the Corporation from paying dividends.

CAPITAL STRUCTURE

The following table presents the capitalization of Second Wave as at December 31, 2008:

Designation of Security	Authorized	As at December 31, 2008
Common Shares	Unlimited	30,953,709
Total Debt ⁽¹⁾	N/A	\$25,351,852

Note:

(1) Represents total debt plus working capital deficiency.

MARKET FOR SECURITIES

Common Shares. The Common Shares have been listed and posted for trading on the TSXV under the symbol "SCS" since June 27, 2008. As at the date hereof the Common Shares are the only outstanding equity securities of the Corporation.

Class A Shares. Prior to the Share Consolidation on June 25, 2008, the Class A shares of the Corporation were listed and posted for trading on the TSXV under the symbol "SCS.A".

Class B Shares. Prior to the conversion on May 25, 2008 of all of the then outstanding Class B shares of the Corporation into Class A shares on the basis of 10 Class A shares each Class B share, the Class B shares were listed and posted for trading on the TSXV under the symbol "SCS.B".

Price Range and Volume of Trading of Listed Shares

The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices), period-end closing prices and trading volumes for the Common Shares, Class A shares and the Class B shares on the TSXV as reported by sources that Second Wave believes to be reliable for the periods indicated:

Pre-Share Consolidation

	Price Range (\$)							
	High		Low		Close		Trading Volume	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
<i>2008 (pre-Share Consolidation) ⁽¹⁾</i>								
January	.33	1.75	.22	1.15	.315	1.75	8,005,287	67,400
February	.32	1.26	.25	1.26	.25	1.26	1,613,950	80
March	.28	2.00	.205	1.55	.235	2.00	1,701,676	25,400
April	.33	2.50	.235	2.00	.285	2.20	2,203,193	38,200
May	.35	2.75 ⁽²⁾	.255	2.35 ⁽²⁾	.35	2.75 ⁽²⁾	3,488,613	5,000 ⁽²⁾
June 1 - 26	.42	-	.31	-	.38	-	5,712,361	-

Post-Share Consolidation

	Price Range (\$)			Trading Volume
	High	Low	Close	
	Common Shares	Common Shares	Common Shares	Common Shares
<i>2008 (post-Share Consolidation) ⁽¹⁾</i>				
June 27 - 30	3.80	3.60	3.80	19,487
July	3.80	2.51	2.65	288,723
August	2.99	2.16	2.55	154,982
September	2.50	1.60	1.80	162,488
October	1.80	.60	.87	665,512
November	1.05	.50	.57	331,949
December	.76	.405	.50	738,817
<i>2009 (year to date)</i>				
January	.65	.40	.49	139,091
February	.60	.47	.47	48,064
March	.70	.40	.60	120,508
April	.70	.55	.70	44,462
May 1- 14	.85	.63	.80	83,477

Notes:

- (1) On June 25, 2008, the Class A shares of the Corporation were consolidated on a one for 10 basis (one post-consolidation share for every 10 shares held previously) and re-designated as Common Shares.
- (2) On May 25, 2008, all of the outstanding Class B shares of the Corporation were converted into Class A shares of the Corporation on the basis of 10 Class A shares each Class B share. The Class B shares were removed from the Corporation's authorized share capital on June 25, 2008.

ESCROWED SECURITIES

To the knowledge of the directors and executive officers of Second Wave, as of May 14, 2009, there are no securities of the Corporation held in escrow or that are subject to a contractual restriction on transfer.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of Second Wave, as of May 14, 2009, no person or company beneficially owns or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares, except as set out in the table below:

Name of Holder	Number of Common Shares	Percentage of Issued and Outstanding Common Shares
Brookfield Bridge Lending Fund Inc.	24,647,120	66.7%

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the names of the directors and executive officers of Second Wave, their jurisdictions of residence, their positions and offices with Second Wave and the periods during which they have served in such capacities,

and their principal occupations during the five preceding years. The term of office of each director will expire at the end of the next annual meeting of the shareholders of Second Wave.

Name and Jurisdiction of Residence	Principal Occupation During the Last Five Years	Office(s) and Periods Held
Jim Reid ⁽³⁾⁽⁴⁾ Alberta, Canada	Managing Partner, Energy of Brookfield Asset Management Inc.	Chairman and Director since August 2007
Brian A. Baker ⁽⁴⁾ Alberta, Canada	Vice President, Energy of Brookfield Asset Management Inc. since May 2007; Prior thereto, Vice President, Finance and Chief Financial Officer of Bear Ridge Resources Ltd. (October 2005 to February 2007); Prior thereto, Vice President, Finance and Chief Financial Officer of Aquest Energy Ltd. and partner of Collins Barrow Calgary LLP.	Director since August 2007
Donald E. Foulkes ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada	President and Chief Executive Officer of AltaCanada Energy Corp. since 2002.	Director since January 2007
Alan Steele ⁽¹⁾⁽²⁾ Alberta, Canada	Vice President, Finance and Chief Financial Officer of Twin Butte Energy Ltd. since October 2007; Prior thereto, Vice President, Finance, Chief Financial Officer and Interim Chief Executive Officer of Bear Ridge Resources Ltd. (February 2007 to August 2007); Prior thereto, Vice President, Finance and Chief Financial Officer of Twin Butte Energy Ltd. (September 2006 to February 2007); Prior thereto, Vice President, Finance and Chief Financial Officer of Ketch Resources Trust (January 2005 to June 2006); Prior thereto, Vice President, Finance and Chief Financial Officer of Bear Creek Energy Ltd.	Director since June 2008
Neil Bokenfohr ⁽¹⁾⁽²⁾ Alberta, Canada	Vice President, Exploitation of Advantage Energy Income Fund since June 2006; Prior thereto, Vice President, Exploitation and Operations of Ketch Resources Ltd. (January 2005 to June 2006); Prior thereto, Vice President, Engineering of Bear Creek Energy Ltd. (and Crossfield Gas Corp prior thereto) (March 2002 to January 2005).	Director since June 2008
Robert F. Goods Alberta, Canada	Corporate Director / Independent Businessman since July 2008; Prior thereto, Chief Executive Officer of Second Wave (January 2008 to June 2008); Prior thereto, President and Chief Operating Officer of Second Wave (May 2006 to January 2008); Prior thereto, Vice President, Petroleum Operations for United Farmers of Alberta Cooperative (June 2001 to October 2004).	Director since May 2006
Colin B. Witwer Alberta, Canada	President and Chief Executive Officer of Second Wave since July 2008; Prior thereto, President of Second Wave (January 2008 to June 2008); Prior thereto, Vice President, Operations of Bear Ridge Resources Ltd. (October 2005 to August 2007); Prior thereto, Vice President, Operations of Ketch Resources Trust (January 2005 to June 2006); Prior thereto, Vice President, Operations of Bear Creek Energy Ltd. (May 2004 to January 2005).	Officer since January 2008 Director since July 2008
Randy L. Denecky Alberta, Canada	Vice President, Finance and Chief Financial Officer of Second Wave since January 2008; Prior thereto, Chief Financial Officer of Canada Southern Petroleum Ltd. (November 2001 to February 2007).	Officer since January 2008
Douglas Hibbs Alberta, Canada	Vice President, Exploration of Second Wave since January 2009; Prior thereto, Manager of Geology of Second Wave (February 2008 to December 2008); Prior thereto, President of Bear Ridge Resources Ltd. (January 2005 to April 2007); Prior thereto, Vice President, Exploration of Bear Creek Energy Ltd. (January 2003 to January 2005).	Officer since January 2009

Name and Jurisdiction of Residence	Principal Occupation During the Last Five Years	Office(s) and Periods Held
Randy Bergmann Alberta, Canada	Vice President, Land of Second Wave since June 2008; Prior thereto, Vice President, Land of E4 Energy Inc. (August 2005 to February 2008); Prior thereto, Manager, Land of Kinloch Resources Ltd. (October 2003 to May 2005); Prior thereto, Senior Staff Landman of Vintage Petroleum Canada (April 2001 to October 2003).	Officer since June 2008

Notes:

- (1) Member of the Audit Committee of the Board of Directors, consisting of Messrs. Steele (Chair), Bokenfohr and Foulkes. See "Audit Committee Information".
- (2) Member of the Reserves Committee of the Board of Directors, consisting of Messrs. Bokenfohr (Chair), Steele and Foulkes.
- (3) Member of the Compensation and Governance Committee of the Board of Directors, consisting of Messrs. Foulkes (Chair) and Reid.
- (4) Messrs. Reid and Baker are representatives of Brookfield Asset Management Inc. Brookfield Asset Management Inc. is an affiliate of Brookfield Bridge Lending Fund Inc., which beneficially owns, or controls or directs, directly or indirectly, 24,647,120 Common Shares representing approximately 66.7% of the total number of Common Shares issued and outstanding as at the date of this Annual Information Form. See "Principal Shareholders".

As of the date hereof, the directors and executive officers of Second Wave, as a group, beneficially own or control or direct, directly or indirectly, 733,782 Common Shares or approximately 2% of the issued and outstanding Common Shares.

Conflicts of Interest

There are potential conflicts of interest to which the directors of Second Wave will be subject in connection with the operations of Second Wave. Some of the directors are engaged and will continue to be engaged in the search for oil and gas interests on their own behalf and on behalf of other corporations and situations may arise where the directors will be in competition with Second Wave. In addition, certain of the directors of Second Wave are directors or officers of, or otherwise associated with, other entities, some of which participate in the oil and gas industry. Conflicts, if any, will be subject to the procedures and remedies under the ABCA. In accordance with the ABCA, directors who have an interest in a material contract or a material transaction with Second Wave are required, subject to certain exceptions, to disclose the nature and extent of the interest. In all circumstances, each director is required under the ABCA to act honestly and in good faith with a view to the best interests of the Corporation.

LEGAL PROCEEDINGS

There are no material legal proceedings to which the Corporation is a party or in respect of which any of its property is the subject, nor are any such proceedings known to the Corporation to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere in this Annual Information Form, no director or executive officer of the Corporation, no person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, and no known associate or affiliate of any such person, has a 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.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its principal offices in Calgary, Alberta and its agent's offices in Toronto, Ontario.

MATERIAL CONTRACTS

Second Wave is not a party to any contract that is currently material to the Corporation other than contracts entered into in the ordinary course of business and the Amended and Restated Investor Rights Agreement dated February 18, 2009 between the Corporation and Brookfield (the "Investor Rights Agreement").

The Investor Rights Agreement provides Brookfield with certain rights of participation (i) as a purchaser under future offerings by the Corporation of new securities and (ii) as a seller under future distributions.

As potential purchaser, Brookfield has been granted a pre-emptive right, to the extent of its pro-rata interest at the time, with respect to any future issue by the Corporation of Common Shares or of any securities convertible into or exercisable or exchangeable for Common Shares (or other rights to acquire Common Shares), other than (i) stock options and Common Shares issuable upon exercise of stock options, (ii) Common Shares issued in connection with any bona fide acquisition, merger, take-over or divestiture transaction with an arm's length third party, or (iii) Common Shares issued in connection with any share split or stock dividend by the Corporation. The pre-emptive right entitles Brookfield to purchase such portion of any such issue as is equal to its then applicable pro-rata holding of Common Shares, measured on a fully diluted basis and after aggregating the interest of Brookfield and its affiliates.

Brookfield also has "demand" and "piggyback" distribution rights under the Investor Rights Agreement. The demand distribution rights, if exercised, will require the Corporation to file a prospectus to qualify for distribution in Canada under applicable securities laws any eligible Common Shares held by Brookfield or any its affiliates. The piggyback distribution rights, if exercised, will require the Corporation, in the event that the Corporation itself proposes to undertake a prospectus offering of Common Shares, to include under that proposed distribution eligible Common Shares held by Brookfield or any its affiliates. The demand and piggyback distribution rights are subject to certain conditions and limitations as provided in the Investor Rights Agreement. The Corporation will be responsible for all expenses incurred by it or Brookfield (or an affiliated holder of eligible Common Shares in respect of which the demand or piggyback distribution rights have been exercised) in connection with any distribution of eligible Common Shares pursuant to the exercise of demand or piggyback distribution rights. The Corporation has also agreed not to grant to any other party distribution or registration rights that are as or more favourable than the rights granted to Brookfield and its affiliates under the Investor Rights Agreement.

A copy of the Investor Rights Agreement is available on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, and whose profession or business gives authority to the report, valuation statement or opinion made by the person or company, are KPMG LLP, the Corporation's independent auditors for the year ended December 31, 2008, and GLJ, the Corporation's independent engineering evaluators.

Interests of Experts

To the Corporation's knowledge, no registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of one of the Corporation's associates or affiliates (i) were held by GLJ, when GLJ prepared the report, valuation, statement or opinion in question, (ii) were received by GLJ after GLJ prepared the report, valuation, statement or opinion in question, or (iii) is to be received by GLJ.

Neither KPMG LLP or GLJ, nor any director, officer or employee of KPMG LLP or GLJ, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

KPMG LLP is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE INFORMATION

As a "venture issuer" within the meaning of applicable securities legislation, the Corporation is exempt from certain requirements of National Instrument 52-110 *Audit Committees* and the disclosure provided below is provided in reliance on the exemption provided in section 6.1 of that instrument.

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit Committee of the Board of Directors is attached hereto as Schedule "D" to this Annual Information Form.

Composition of the Audit Committee

The members of the Audit Committee are R. Alan Steele (Chair), Neil Bokenfohr and Donald E. Foulkes, each of whom has been determined by the Board of Directors to be "independent" and "financially literate" within the meaning of National Instrument 52-110 *Audit Committees*. Following is a brief description of the education and experience of each such director that is relevant to the performance of his responsibilities as a member of the Audit Committee:

R. Alan Steele (Chair) – Mr. Steele received his Certified Management Accountant ("CMA") designation in 1986 and has over 25 years of accounting and finance experience. Mr Steele is currently Vice President, Finance and Chief Financial Officer of Twin Butte Energy Ltd. and previously held senior financial executive positions with various companies in the oil and gas industry.

Neil Bokenfohr – Mr. Bokenfohr has 20 years of oil and gas experience in petroleum exploration, development and operations. Mr. Bokenfohr received his B.Sc. in Petroleum Engineering from the University of Alberta in 1989 and is a registered Professional Engineer with the Association of Professional Engineers, Geologists, and Geophysicists of Alberta (APEGGA). He is currently Vice President, Exploitation of Advantage Energy Income Fund and previously held senior officer positions with various companies in the oil and gas industry.

Donald E. Foulkes – Mr. Foulkes has over 39 years of oil and gas experience with private and public companies in Canada, the United States and internationally. He is currently President and Chief Executive Officer of AltaCanada Energy Corp. ("AltaCanada"), a TSXV-listed oil and gas company. Prior to joining AltaCanada in September 2002, Mr. Foulkes was Chairman of Causeway Energy Corp. from 1998 until its sale in August 2001. Mr. Foulkes is a director of AltaCanada and Quadrise Canada Corp. Mr. Foulkes holds a B.Sc. in Geology from the University of Calgary and is a registered Professional Geologist.

Pre-Approval of Policies and Procedures

Under the Mandate and Terms of Reference of the Audit Committee, the Audit Committee is required to review and pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member report to the Audit Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Audit Committee from time to time.

The Audit Committee has determined that in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to the Corporation by its auditors and in such case, only with the prior approval of the Audit Committee.

External Auditors Service Fees

The following table sets forth the service fees billed to the Corporation by KPMG LLP, Second Wave's external auditors for the periods indicated, in respect of the two most recently completed financial years:

<u>Type of Fees for Fiscal Year Ended</u>	<u>Aggregate Fees Billed</u>	<u>Description of Services</u>
---	----------------------------------	--------------------------------

Type of Fees for Fiscal Year Ended	Aggregate Fees Billed	Description of Services
<i>Audit Fees</i>		
- December 31, 2008	\$160,000	Audit of annual financial statements and review of interim financial statements
- December 31, 2007	\$128,000	Audit of annual financial statements and review of interim financial statements
<i>Audit-Related Fees</i>		
- December 31, 2008	\$125,000	Professional services with respect to the completion of the acquisition of Milagro Energy Inc.
- December 31, 2007	Nil	Not applicable
<i>Tax Fees</i>		
- December 31, 2008	\$51,100	General tax consultations, including tax compliance (\$27,600) and income tax-related services with respect to the acquisition of Milagro Energy Inc. (\$23,500)
- December 31, 2007	\$17,950	Review of tax returns
<i>All Other Fees</i>		
- December 31, 2008	Nil	Not applicable
- December 31, 2007	Nil	Not applicable

ADDITIONAL INFORMATION

Additional information relating to Second Wave may be found on SEDAR at www.sedar.com and also on Second Wave's website at www.secondwavepetroleum.com.

Additional information is also provided in Second Wave's financial statements and management's discussion and analysis for the year ended December 31, 2008, which documents may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

SECOND WAVE PETROLEUM INC.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

(Form 51-101F1)

This Statement of Reserves Data and Other Oil and Gas Information of Second Wave Petroleum Inc. ("**Second Wave**" or the "**Corporation**") is based upon a report prepared by GLJ Petroleum Consultants Ltd. ("**GLJ**") dated March 18, 2009 evaluating the Corporation's crude oil, natural gas and natural gas liquids ("**NGL**") reserves as at an effective date of December 31, 2008 (the "**GLJ Report**"). The preparation date of the GLJ Report is February 20, 2009.

Disclosure of Reserves Data

The reserves data set forth below (the "**Reserves Data**") is based upon the GLJ Report. The Reserves Data summarizes the crude oil, NGL and natural gas reserves of the Corporation and the net present values of future net revenue for these reserves using forecast prices and costs. The GLJ Report has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (the "**COGE Handbook**") and the reserve definitions contained in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* adopted by the Canadian Securities Administrators ("**NI 51-101**") and the COGE Handbook. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Second Wave believes is important to the readers of this information. The Corporation engaged GLJ to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of Second Wave's reserves are in Canada and, specifically, in the provinces of Alberta and Saskatchewan.

A Report of Management and Directors on Oil and Gas Disclosure (Form 51-101F3) and a Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor (Form 51-101F2) from GLJ, each in the form required under NI 51-101, follow as Schedules "B" and "C", respectively, to the Annual Information Form of the Company dated May 14, 2009 for the year ended December 31, 2008.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the Corporation's crude oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein.

Abbreviations

Following is a list of certain abbreviations used herein.

Crude Oil and Natural Gas Liquids:

bbbl	barrel
bbbl/d	barrels per day
Mbbl	thousand barrels
NGLs	natural gas liquids

Natural Gas:

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
Btu	British thermal unit
MMbtu	million British thermal units

Barrels of Oil Equivalent:

BOE	barrels of oil equivalent of natural gas on the basis of 1 BOE for 6 Mcf of natural gas (unless otherwise indicated)
MBOE	one thousand barrels of oil equivalent
MMBOE	one million barrels of oil equivalent
BOE/d	barrels of oil equivalent per day

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion factor is an industry accepted norm and is not based on either energy content or current prices.

Conversion Ratios

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<i>To Convert From</i>	<i>To</i>	<i>Multiply By</i>
Mcf	thousand cubic metres ("10 ³ m ³ ")	0.0282
thousand cubic metres	Mcf	35.494
bbl	cubic metres ("m ³ ")	0.159
cubic metres	bbl	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

Difference between "Gross" and "Net" Measures

This document variously refers to both "gross" and "net" measures. For the purposes hereof, those terms have the following meanings.

"Gross" means:

- (a) in relation to the Corporation's interest in production and reserves, its "company gross reserves", which are the Corporation's working interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest.

"Net" means:

- (a) in relation to the Corporation's interest in production and reserves, the Corporation's working interest (operating and non-operating) share after deduction of royalties obligations, plus the Corporation's royalty interest in production or reserves;
- (b) in relation to wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and
- (c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

Reserves Data

**SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2008
(Forecast Prices and Costs)**

Reserves Category	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved Developed Producing	888	774	149	141	3,894	3,233	95	65
Proved Developed Non-Producing	0	0	1	1	635	573	14	9
Proved Undeveloped	434	409	8	8	962	747	21	15
Total Proved	1,322	1,182	158	150	5,492	4,553	130	89
Total Probable	1,257	1,120	114	110	2,384	1,926	71	49
Total Proved Plus Probable	2,580	2,302	272	251	7,875	6,479	201	138

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2008
Before and After Income Taxes
(Forecast Prices and Costs)**

Reserves Category	Net Present Values of Future Net Revenue (\$000s)										Unit Value Before Income Tax Discounted at 10%/year (\$/BOE) / (\$/Mcf)
	Before Income Taxes Discounted At (%/year)					After Income Taxes Discounted at (%/year)					
	0	5	10	15	20	0	5	10	15	20	
Proved Developed Producing	44,785	37,223	31,975	28,094	25,101	44,785	37,223	31,975	28,094	25,101	21.06 / 3.51
Proved Developed Non-Producing	1,510	1,133	867	673	528	1,510	1,133	867	673	528	8.18 / 1.36
Proved Undeveloped	16,490	11,647	8,580	6,510	5,044	16,490	11,647	8,580	6,510	5,044	15.49 / 2.57
Total Proved	62,786	50,003	41,422	35,278	30,673	62,786	50,003	41,422	35,278	30,673	19.00 / 3.17
Total Probable	59,918	42,518	31,957	24,960	20,055	54,210	39,209	29,929	23,666	19,202	20.10 / 3.35
Total Proved Plus Probable	122,703	92,521	73,379	60,238	50,728	116,996	89,212	71,351	58,944	49,875	19.46 / 3.24

**TOTAL FUTURE NET REVENUE
(undiscounted)
as of December 31, 2008
(Forecast Prices and Costs)
(\$000s)**

Reserves Category	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Future Income Taxes	Future Net Revenue After Future Income Taxes
Proved	160,603	21,852	65,493	7,484	2,988	62,786	0	62,786
Proved Plus Probable	286,852	39,629	107,923	13,297	3,300	122,703	5,707	116,996

FUTURE NET REVENUE BY PRODUCTION GROUP
as of December 31, 2008
(Forecast Prices and Costs)

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/year) (\$000s)	Unit Value (\$/BOE) / (\$/Mcf)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	30,718	19.75 / 3.29
	Heavy Oil (including solution gas and other by-products)	300	10.45 / 1.74
	Natural Gas (including by-products but excluding solution gas from oil wells)	10,405	17.44 / 2.91
	Total	41,422	19.00 / 3.17
Proved Plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	57,402	20.45 / 3.41
	Heavy Oil (including solution gas and other by-products)	1,109	13.70 / 2.28
	Natural Gas (including by-products but excluding solution gas from oil wells)	14,868	16.85 / 2.81
	Total	73,379	19.46 / 3.24

Notes to Reserves Data Tables:

- (1) Columns may not add due to rounding.
- (2) The crude oil, natural gas liquids and natural gas reserve estimates presented herein are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions are set forth below.
- (3) **"forecast prices and costs"** are those:
 - (a) generally acceptable as being a reasonable outlook of the future; and
 - (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which Second Wave is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast summary table under the "Pricing Assumptions" below identifies benchmark reference prices that apply to Second Wave.
- (4) **"future income taxes"** are estimated:
 - (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
 - (b) without deducting estimated future costs that are not deductible in computing taxable income;
 - (c) taking into account estimated tax credits and allowances; and
 - (d) applying to the future pre-tax net cash flows relating to Second Wave's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.
- (5) **"development well"** means a well drilled inside the established limits of an oil or gas reservoir or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
- (6) **"development costs"** means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
 - (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
 - (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - (d) provide improved recovery systems.
- (7) "**exploration well**" means a well that is not a development well, a service well or a stratigraphic test well.
- (8) "**exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
 - (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) dry hole contributions and bottom hole contributions;
 - (d) costs of drilling and equipping exploratory wells; and
 - (e) costs of drilling exploratory type stratigraphic test wells.
- (9) "**service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

Reserves Categories

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

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- 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:

- (a) **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.
- (b) **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.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (i) **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

Pricing Assumptions

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
(Forecast Prices and Costs)

Year	WTI Cushing Oklahoma (\$US/bbl)	Light Sweet Crude Oil at Edmonton 40° API (\$Cdn/bbl)	Medium Crude Oil 29° API (\$Cdn/bbl)	Hardisty Heavy 12° API (\$Cdn/bbl)	Natural Gas AECO-C Spot (\$Cdn/ MMBtu)	Natural Gas Liquids Edmonton Propane (\$Cdn/bbl)	Natural Gas Liquids Edmonton Butane (\$Cdn/bbl)	Inflation Rates ⁽¹⁾ (%/Year)	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
Forecast									
2009	57.50	68.61	59.00	43.10	7.58	43.22	52.14	2.0	0.825
2010	68.00	78.94	68.68	49.76	7.94	49.73	61.57	2.0	0.850
2011	74.00	83.54	73.52	54.35	8.34	52.63	65.16	2.0	0.875
2012	85.00	90.92	80.01	59.23	8.70	57.28	70.92	2.0	0.925
2013	92.01	95.91	84.40	62.54	8.95	60.42	74.81	2.0	0.950
2014	93.85	97.84	86.10	63.82	9.14	61.64	76.32	2.0	0.950
2015	95.73	99.82	87.84	65.13	9.34	62.89	77.86	2.0	0.950
2016	97.64	101.83	89.61	66.46	9.54	64.15	79.43	2.0	0.950
2017	99.59	103.89	91.42	67.83	9.75	65.45	81.03	2.0	0.950
2018	101.59	105.99	93.27	69.22	9.95	66.77	82.67	2.0	0.950
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.950

Notes:

- (1) Inflation rates used for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Reconciliation of Changes in Reserves

The following table sets out the reconciliation of Second Wave's gross reserves based on forecast prices and costs by principal product type:

Factors	Light and Medium Oil			Heavy Oil			Associated and Non-Associated Gas			Natural Gas Liquids		
	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)
December 31, 2007	250	66	316	484	124	607	3,553	1,659	5,212	106	62	168
Discoveries	20	5	25	0	0	0	0	0	0	0	0	0
Extensions	270	111	381	0	40	40	892	241	1,133	24	6	30
Technical Revisions	429	101	530	-310	-84	-394	459	101	561	4	1	6
Acquisitions ⁽¹⁾	484	975	1,459	16	35	51	1,350	416	1,766	7	1	9
Economic Factors	0	0	0	0	0	0	-65	-33	-98	0	0	0
Production	-131	0	-131	-32	0	-32	-697	0	-697	-12	0	-12
December 31, 2008 ⁽²⁾	<u>1,322</u>	<u>1,258</u>	<u>2,580</u>	<u>158</u>	<u>114</u>	<u>272</u>	<u>5,492</u>	<u>2,384</u>	<u>7,875</u>	<u>130</u>	<u>71</u>	<u>201</u>

Notes:

- (1) Reflects the acquisitions of Milagro Energy Inc. in May 2008.
- (2) The Corporation has no unconventional reserves (bitumen, synthetic crude oil, natural gas from coal, etc.).
- (3) Numbers may not add due to rounding.

Additional Information Relating to Reserves Data

Undeveloped Reserves

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to the Corporation as at the end of each of the financial years noted.

Proved Undeveloped Reserves

Year	Light and Medium Oil	Heavy Oil	Natural Gas	Natural Gas Liquids	BOE
	(Mbbbl)	(Mbbbl)	(MMcf)	(Mbbbl)	(MBOE)
2008	434	8	962	21	623
2007	0	0	690	14	129
2006	0	0	690	14	129
Prior to 2006	0	0	0	0	0

In 2008, proved undeveloped reserves were primarily attributed to drilling locations in the Ferrier, Rowley and Battle Creek areas. As of the date hereof, all of the locations are expected to be drilled in the next two years.

Probable Undeveloped Reserves

Year	Light and Medium Oil	Heavy Oil	Natural Gas	Natural Gas Liquids	BOE
	(Mbbbl)	(Mbbbl)	(MMcf)	(Mbbbl)	(MBOE)
2008	1,016	40	974	40	1,258
2007	0	0	886	37	184
2006	0	0	886	37	184
Prior to 2006	0	0	0	0	0

In 2008, the majority of the probable undeveloped reserves were attributed to drilling locations in the Ferrier, Rowley and Battle Creek. As of the date hereof, all of the wells are expected to be drilled in the next two years.

In general, once proved and/or probable undeveloped reserves are identified they are scheduled into Second Wave's development plans. Normally, the Corporation plans to develop its proved and probable undeveloped reserves within two years. A number of factors that could result in delayed or cancelled development are as follows:

- changing economic conditions (due to pricing, operating and capital expenditure fluctuations);
- changing technical conditions (production anomalies (such as water breakthrough, accelerated depletion));
- multi-zone developments (such as a prospective formation completion may be delayed until the initial completion is no longer economic);
- a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and
- surface access issues (landowners, weather conditions, regulatory approvals).

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

Other than as discussed above and the various risks and uncertainties that participants in the oil and gas industry are exposed to generally, Second Wave is unable to identify any important economic factors or significant uncertainties that will affect any particular components of the reserves data disclosed herein. See "Risk Factors".

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Corporation's future net revenue attributable to the reserve categories noted below (\$000s):

Year	Undiscounted Forecast Prices and Costs (\$000s)	
	Proved Reserves	Proved Plus Probable Reserves
2009	3,421	3,996
2010	3,143	6,750
2011	91	1,084
2012	208	421
2013	0	406
2014	101	110
Thereafter	519	530
Total	7,484	13,297

The Corporation expects that the capital listed in the preceding table will be funded through internally generated cash flows and will not have any associated funding costs. Therefore, the capital commitments will not affect the disclosed reserves of future net revenue.

Other Oil and Gas Information

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Corporation had a working interest as at December 31, 2008.

	Oil Wells ⁽¹⁾				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total	108	88.4	78	59.3	43	30.4	66	39.6

Note:

- (1) Oil wells include 11 gross (9.8 net) salt water disposal wells

Properties with no Attributable Reserves

The following table sets out the Corporation's developed and undeveloped land holdings as at December 31, 2008.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	33,914	19,296	88,145	72,311	122,059	91,608
British Columbia	640	240	403	151	1,043	391
Saskatchewan	8,581	6,544	61,715	36,143	70,296	42,688
Total	43,135	26,081	150,263	108,605	193,399	134,687

The Corporation expects that rights to explore, develop and/or exploit 5,892 net acres of its undeveloped land holdings will expire by December 31, 2009. Second Wave plans to drill or submit applications to continue selected portions of the above acreage.

Additional Information Concerning Abandonment and Reclamation Costs

The Corporation uses its internal historical costs to estimate its abandonment and reclamation costs when available. The costs are estimated on an area-by-area basis. The industry's historical costs are used when available. If representative comparisons are not readily available, an estimate is prepared based on the various regulatory abandonment requirements. As at December 31, 2008 the Corporation had 218 net wells for which it expects to eventually incur abandonment and reclamation costs.

The total abandonment and reclamation costs in respect of proved and probable reserves using forecast prices is \$3,300,000 (undiscounted) and \$1,474 (discounted at 10%). One hundred percent of such amounts were deducted as abandonment and reclamation costs in estimating future net revenue of the Corporation in respect of proved and probable reserves as disclosed above. Abandonment and reclamation costs for wells that were not evaluated by GLJ within the December 31, 2008 report have not been included within the \$3,300,000 price. The following table sets forth abandonment and reclamation costs deducted in the estimation of the Corporation's future net revenue:

Forecast Prices and Costs (Total Proved Plus Probable) (\$000s)

Year	Abandonment and Reclamation Costs (Undiscounted)
2009	203
2010	97
2011	186
Thereafter	2,814
Total Undiscounted	3,300
Total Discounted at 10%	1,474

Tax Horizon

The Corporation has no current tax expense and based on current reserve forecasts will be able to realize the benefit of the majority of the non-capital losses and remain non-taxable to at least 2011. Second Wave has estimated approximately \$100.5 million of tax pools will be available as at December 31, 2008, which can be used to offset taxable income in future years.

Capital Expenditures

The following table summarizes capital expenditures (including corporate acquisitions on a non cash basis) related to the Corporation's activities for the year ended December 31, 2008:

	<u>000s</u>
Cash	
Land and acquisitions	4,817,611
Drilling and completions	7,325,510
Equipping, facilities and pipelines	7,082,924
Geological and geophysical	1,129,819
Acquisition of Milagro (net of cash of \$200,483)	629,535
Capitalized G&A	663,469
Other	6,602
	<u>21,655,470</u>
Non-cash	
Acquisition of Milagro	25,254,880
Capitalized stock based compensation	661,118
ARO liabilities incurred	139,031
Total	<u><u>47,710,499</u></u>

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which Second Wave participated in the year ended December 31, 2008:

	<u>Exploratory Wells</u>		<u>Development Wells</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Natural Gas	0.0	0.0	0.0	0.0
Oil	0.0	0.0	7.0	6.0
Service	0.0	0.0	0.0	0.0
Dry	3.0	2.6	0.0	0.0
Total	<u>3.0</u>	<u>2.6</u>	<u>7.0</u>	<u>6.0</u>

Production Estimates

The following table sets out the volume of the Corporation's production estimated for the year ended December 31, 2009 as evaluated by GLJ, which is reflected in the estimate of future net revenue disclosed in the tables disclosed above under "Reserves Data".

FORECAST PRICES AND COSTS ⁽¹⁾

Reserves Category	Light, Medium and Heavy Oil	Natural Gas	Natural Gas Liquids	TOTAL
	Gross (bbl/d)	Gross (Mcf/d)	Gross (bbl/d)	Gross (BOE/d)
PROVED				
Provost/Coronation	386	715	16	522
Rowley/Ferrier	0	663	20	131
Battle Creek	145	240	0	185
Other Properties	146	609	5	251
Total Proved	677	2,227	41	1,089
PROVED PLUS PROBABLE				
Provost/Coronation	394	732	16	532
Rowley/Ferrier	0	680	21	135
Battle Creek	172	247	0	214
Other Properties	149	621	5	255
Total Proved Plus Probable	715	2,280	42	1,136

Note:

(1) Numbers may not add due to rounding.

The Corporation's Provost field is the only field which accounts for 20% or more of the Corporation's estimated 2009 production in the December 31, 2008 GLJ Report.

Production History

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	Quarter Ended			
	2008			
	December 31	September 30	June 30	March 31
Average Daily Production ⁽¹⁾				
Light and Medium Crude Oil (bbl/d)	547	515	407	334
Gas (Mcf/d)	2,711	2,348	2,011	930
NGLs (bbl/d)	43	37	40	21
Combined (BOE/d)	1,042	943	783	504
Average Price Received				
Light and Medium Crude Oil (\$/bbl)	54.28	107.18	114.49	85.99
Gas (\$/Mcf)	7.08	8.38	9.75	8.16
NGLs (\$/bbl)	48.35	91.69	81.67	75.20
Combined (\$/BOE)	48.90	82.97	88.82	74.28
Royalties Paid				
Combined (\$/BOE)	5.59	10.44	11.28	10.16
Operating Expenses (\$/BOE)				
Combined (\$/BOE)	25.75	29.83	21.88	18.08
Transportation Expenses (\$/BOE)				
Combined (\$/BOE)	1.70	1.04	1.08	1.18
Netback Received (\$/BOE) ⁽²⁾	15.87	41.66	54.58	44.86

Notes:

- (1) Before deduction of royalties.
 (2) Netbacks are calculated by subtracting royalties, operating costs and transportation from revenues.

The following table indicates the Corporation's average daily production from its important fields for the year ended December 31, 2008:

	Light, Medium and Heavy Crude Oil (bbl/d)	Gas (Mcf/d)	NGLs (bbl/d)	BOE (BOE/d)
Provost	235	398	11	313
Ferrier	-	379	16	79
Tableland	78	-	-	78
Rowley	-	418	6	76
Battle Creek	45	174	-	74
Coronation	29	106	-	47
Judy Creek	20	49	-	28
Other Alberta	43	476	2	124
Total	<u>450</u>	<u>2,000</u>	<u>35</u>	<u>819</u>

Substantially all of Second Wave's crude oil production for the year ended December 31, 2008 was 100% light and medium quality crude oil (25 API gravity or greater).

For the year ended December 31, 2008, approximately 61% of Second Wave's gross revenue was derived from oil production, 31% was derived from natural gas production and the remaining 8% was derived from NGLs.

Forward Contracts and Marketing

Second Wave will not be bound by any agreement (including any transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil or natural gas other than as set forth in the table below. In addition, Second Wave's transportation obligations or commitments for future physical deliveries of oil or natural gas will not exceed Second Wave's expected related future production from its proved reserves, estimated using forecast prices and costs, as disclosed herein.

As at the date hereof, Second Wave has no financial commodity contracts in place, however in 2008 it had the following financial commodity contract in place:

<u>Commodity Contract</u>	<u>Period</u>	<u>Volume</u>	<u>Price</u>
Oil collar	April 1 – Oct 31, 2008	100 bbl/d	\$US 80.00 – 101.00 WTI

SCHEDULE "B"

SECOND WAVE PETROLEUM INC.

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE
(Form 51-101F3)

Management of Second Wave Petroleum Inc. (the "Corporation") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved and probable reserves and related future net reserves as at December 31, 2008, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors of the Corporation has:

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

The Reserves Committee of the Board of Directors of the Corporation 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 Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(Signed) "Colin Witwer"

President and Chief Executive Officer

(Signed) "Douglas Hibbs"

Vice President, Exploration

(Signed) "Neil Bokenfohr"

Director and Chairman of the Reserves Committee

(Signed) "Donald E. Foulkes"

Director and Member of the Reserves Committee

April 30, 2009

SCHEDULE "C"

SECOND WAVE PETROLEUM INC.

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR
(Form 51-101F2)

To the board of directors of Second Wave Petroleum Inc. (the "Company"):

1. We have prepared an evaluation of the Company's reserves data as at December 31, 2008. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2008, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited (\$000s)	Evaluated (\$000s)	Reviewed (\$000s)	Total (\$000s)
GLJ Petroleum Consultants	Corporate Summary February 20, 2009	Canada	0	73,379	0	73,379

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, March 18, 2009.

(Signed) "Myron J. Hladyshevsky"

Myron J. Hladyshevsky, P.Eng.
Vice-President

SCHEDULE "D"

SECOND WAVE PETROLEUM INC.

AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of Second Wave Petroleum Ltd. ("**Second Wave**" or the "**Corporation**") to which the Board has delegated its responsibility for the oversight of the following:

1. nature and scope of the annual audit;
2. the oversight of management's reporting on internal accounting standards and practices;
3. the review of financial information, accounting systems and procedures;
4. financial reporting and financial statements,

and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. to assist directors of Second Wave ("**Directors**") in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
2. to provide better communication between Directors and external auditors;
3. to enhance the external auditor's independence;
4. to increase the credibility and objectivity of financial reports; and
5. to strengthen the role of the outside Directors by facilitating in depth discussions between Directors on the Committee, management of Second Wave ("**Management**") and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) Directors or such greater number as the Board may determine from time to time and all members of the Committee shall be "independent" (as such term is used in National Instrument 52-110 – Audit Committees ("**NI 52-110**") unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.
2. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.
3. All of the members of the Committee must be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between Management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to Second Wave's internal control systems.
3. Review the annual and interim financial statements of the Corporation and related management's discussion and analysis ("**MD&A**") prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between Management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses and other offering documents, MD&A, annual information forms ("**AIF**") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Second Wave's disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. Review and approve the disclosure of audit committee information required to be included in the AIF of the Corporation prior to its filing with regulatory authorities.
6. With respect to the appointment of external auditors by the Board:
 - recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and pre-approve any non-audit services to be provided to Second Wave or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.

7. Review with external auditors (and internal auditor if one is appointed by Second Wave) their assessment of the internal controls of Second Wave, their written reports containing recommendations for improvement, and Management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Second Wave and its subsidiaries.
8. Review risk management policies and procedures of Second Wave (i.e. hedging, litigation and insurance).
9. Establish a procedure for:
 - the receipt, retention and treatment of complaints received by Second Wave regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of Second Wave of concerns regarding questionable accounting or auditing matters.
10. Review and approve Second Wave's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of the Corporation.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Corporation. The Committee will also have the authority to investigate any financial activity of Second Wave. All employees of Second Wave are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of Second Wave without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer of Second Wave will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.

8. Minutes of the Committee will be recorded and maintained and circulated to Directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as two (2) members remain on the Committee. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
11. Any issues arising from these meetings that bear on the relationship between the Board and Management should be communicated to the Chairman of the Board by the Committee Chair.