FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company:

Twin Butte Energy Ltd. ("**Twin Butte**" or the "**Company**")
Suite 410, 396 – 11th Avenue S.W.
Calgary, Alberta T2R 0C5

2. Date of Material Change:

January 31, 2013.

3. News Release:

A news release was issued on January 31, 2013 by the Company and disseminated through the facilities of a recognized news wire service.

4. Summary of Material Change:

On January 31, 2013, the Company announced that certain of its wells at its Primate Property in western Saskatchewan had experienced reservoir and production issues. As a result, production from these wells had dropped by 800 to 900 barrels ("**bbls**") per day over the last 40 days from the date of announcement from a high of 3,400 bbls per day. Although the Company's technical and operating staff have been diligently reworking the wells in an attempt to regain performance from the property, the Company believed it was prudent to reduce its expectations from the property, as well as current sustainable corporate production from 18,750 barrels of oil equivalent ("**boe**") per day to 17,800 boe per day. When combined with the significant downtime experienced in January 2013 on a number of the Company's heavy oil operations as a result of cold temperatures which created freezing and run time related issues on a number of the Company's wells, the Company expects its first quarter 2013 production to be reduced to approximately 17,100 boe per day from 18,400 boe per day. As a result, the Company anticipates its cash flow will be impacted by the lower production level as well as the historically wide differentials currently being experienced by the Company. Cash flow is now anticipated to be $30.5 million for first quarter of 2013.

5. Full Description of Material Change:

5.1 – Full Description of Material Change:

On January 31, 2013, the Company announced that certain of its wells at its Primate Property in western Saskatchewan had experienced reservoir and production issues. As a result, recent production from these wells had dropped by 800 to 900 bbls per day from a high of 3,400 bbls per day. Although the Company's has been diligently reworking the wells in an attempt to regain performance from the property, the Company believed it was prudent to reduce its expectations from the property as well as current sustainable corporate production from 18,750 boe per day to 17,800 boe per day. When combined with the significant downtime experienced in January 2013 on a number of the Company's heavy oil operations as a result of cold temperatures which created freezing and run time related issues on a number of the Company's wells, the Company expects its first quarter 2013 production to be reduced to approximately 17,100 boe per day from 18,400 boe per day. As a result, the Company anticipates its cash flow will be impacted by the lower production level as well as the historically wide differentials currently being experienced by the Company. Cash flow is now anticipated to be $30.5 million for the first quarter of 2013.

Twin Butte also announced it now anticipates a 2013 capital program of $85 million. This reduction in capital from the Company's original $110 million capital plan is anticipated to reduce 2013 forecast production by 900 boe per day. Corporate average production for 2013, because of the reduced capital plan and the Primate Property's performance, is now anticipated to average approximately 17,400 boe per day. Assuming an average $95 West Texas Intermediate, $57 Western Canadian Select and a $3.00 per gigajoule AECO natural gas price, in combination with the Company's current 2013 hedge position, Twin Butte anticipates corporate cash flow for 2013 will be $130 million.

5.2 – Disclosure for Restructuring Transactions:

Not applicable.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102:

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer:

The name and business telephone number of an executive officer of the Company who is knowledgeable about the material change and this material change report is:

R. Alan Steele, Vice President, Finance, Chief Financial Officer and Corporate Secretary
Tel: (403) 215-2692

9. Date of Report:

February 5, 2013.

Forward-Looking Statement Advisory

In the interest of providing readers with information regarding Twin Butte, including management's assessment of the future plans and operations of Twin Butte, certain statements contained in this material change report constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular but without limiting the foregoing, this material change report contains forward-looking statements pertaining to the following: future operational activities; future cash flows and operational results, including estimates for first quarter of 2013 and the entire 2013 year and the general impact of operational and commodity price changes on the Company's plans and forecasted results.

With respect to forward-looking statements contained in this material change report, Twin Butte has made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices and *differentials between light, medium and heavy oil prices; results from operations including future oil and natural gas production levels; future exchange rates and interest rates; the Company's ability to obtain equipment in a timely manner to carry out development activities; continued productivity issues with respect to certain properties identified in this material change report; the Company's ability to obtain financing on acceptable terms; and the Company's ability to add production and reserves through its development and exploitation activities. Although Twin Butte believes that the expectations reflected in the forward looking statements contained in this material change report, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this material change report, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Twin Butte's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: volatility in market prices for oil and natural gas; exploration, development and production risks; general economic conditions in Canada, the U.S. and globally; and the other factors described under "Risk Factors" in Twin Butte's most recently filed Annual Information Form available in Canada at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

The forward-looking statements contained in this material change report speak only as of the date of this material change report. Except as expressly required by applicable securities laws, Twin Butte does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this material change report are expressly qualified by this cautionary statement.

Barrels of Oil Equivalent

Barrels of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indicated value.

Future Oriented Financial Information

*This material change report, in particular the information in respect of anticipated cash flows, contains Future Oriented Financial Information ("**FOFI**") within the meaning of applicable securities laws. The FOFI has been prepared by management of the Company to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" and assumptions with respect to production rates and commodity prices which management of the Company believes to be reasonable. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.*