Terms and Conditions

October 9, 2013

A preliminary short form prospectus containing important information relating to the securities described in this document has not yet been filed with the securities regulatory authorities in each of the provinces of Canada, except Quebec. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities.

There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

Issuer: Twin Butte Energy Ltd. ("**Twin Butte**" or the "**Corporation**").

Offering: 35,898,000 Subscription Receipts ("**Subscription Receipts**") of the Corporation to be issued from treasury pursuant to the short form prospectus provisions and requirements under National Instrument 44-101 *Short Form Prospectus* (the "**Offering**").

Issue Price: $1.95 per Subscription Receipt.

Amount: $70,001,100.00.

Acquisition: The Corporation has entered into an agreement to acquire all of the outstanding shares of Black Shire Energy Inc. for aggregate consideration of approximately $358.0 million comprised of $138.0 million in cash, 54.0 million common shares of the Corporation and the assumption of $107.6 million net debt (the "**Acquisition**").

The Acquisition is expected to close (the "**Acquisition Closing**") on November 5, 2013, and no later than December 18, 2013 (the "**Acquisition Closing Date**").

Use of Proceeds: Proceeds from the Offering will be used as partial consideration for the Acquisition.

Issue Type: Bought deal offering of Subscription Receipts to be completed by way of short form prospectus, qualifying the Subscription Receipts for distribution in all provinces of Canada, except Quebec.

The Subscription Receipts may also be (i) placed privately in the United States with certain qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933 and with certain accredited institutional investors under Regulation D; and (ii) sold in such other jurisdictions provided that the Corporation is not required to file a prospectus or other disclosure document or becomes subject to continuing obligations in such other jurisdiction.

Subscription Receipts:	The Subscription Receipts will be issued pursuant to a subscription receipt agreement ("**Subscription Receipt Agreement**"). Each Subscription Receipt will entitle the holder thereof to receive, without payment of any additional consideration, one common share ("**Common Share**") of the Corporation and the Subscription Receipt Adjustment Payment (defined below) immediately prior to delivery of the Closing Notice (defined below) to the Escrow Agent (defined below). For the Acquisition Closing to proceed, the Corporation and the Underwriters shall deliver a notice (the "**Closing Notice**") on or prior to November 5, 2013 (the "**Release Deadline**") indicating that all conditions (other than payment of the purchase price necessary to complete the Acquisition) (the "**Release Conditions**") have been satisfied or waived to the satisfaction of the Underwriters and authorizing the release of the Escrowed Funds (as defined below), and accrued interest thereon, to the Corporation in connection with the Acquisition. If (i) the Acquisition Closing does not occur on or before 5:00 p.m. (Calgary time) on November 5, 2013, subject to the extension of the Release Deadline to December 18, 2013 by Peters & Co. Limited in its sole discretion, acting reasonably; (ii) the Acquisition is terminated at any earlier time; or (iii) the Corporation has advised the Underwriters or announced to the public that it does not intend to proceed with the Acquisition (each such date, a "**Termination Date**"), then holders of Subscription Receipts will receive the full purchase price of the Subscription Receipt, together with their pro rata portion of interest or other income earned or deemed to be earned thereon between the Offering Closing Date and the Termination Date.
Dividends:	If the Acquisition Closing occurs prior to the Termination Date, holders of Subscription Receipts will be entitled to receive, if applicable, an amount per Subscription Receipt equal to the aggregate amount per Common Share of cash dividends declared by the Corporation for which record dates have occurred during the period from the Offering Closing Date to the date immediately preceding the Acquisition Closing Date (the "**Subscription Receipt Adjustment Payment**"). Holders of the Subscription Receipts will not be entitled to receive a Subscription Receipt Adjustment Payment if the Acquisition Closing does not occur on or prior to the Termination Date.
Escrow Conditions:	The gross proceeds of the Offering (the "**Escrowed Funds**") will be held by a Canadian trust company or other escrow agent acceptable to the Corporation and Peters & Co. Limited and which is also deemed an Acceptable Institution under the guidelines of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund (the "**Escrow Agent**") and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending delivery of the Closing Notice. Provided that the Closing Notice is provided on or before the Release Deadline (as may be extended), the Escrowed Funds will be released to the Corporation and to the Underwriters for the balance of the commission payable (and accrued interest thereon) and the Common Shares will be issued to holders of the Subscription Receipts.

Eligibility for Investment:	The Subscription Receipts will be eligible under the usual Canadian statutes and for Canadian RRSPs, RRIFs, DPSPs, RDSPs, TFSAs and RESPs.
Listing:	The Corporation will take all steps required to ensure that all of the Subscription Receipts and Common Shares issuable in exchange for the Subscription Receipts issued pursuant to the Offering are listed on the Toronto Stock Exchange ("**TSX**"). It is anticipated that the Subscription Receipts will be listed on the TSX on the Offering Closing Date. The Common Shares issuable in exchange for the Subscription Receipts will be listed on the TSX on the date of the issuance of such Common Shares. The Corporation shall provide the Underwriters with satisfactory evidence of conditional listing approval (which shall not require any approval by the Corporation's shareholders) from the TSX prior to the Offering Closing Date. The Subscription Receipts and Common Shares will be freely tradeable under Canadian securities laws upon issuance.
Offering Closing Date:	Payment for and delivery of the Subscription Receipts pursuant to the Offering is to occur on October 31, 2013, or such date as may be agreed upon by the Corporation and Peters & Co. Limited.
Underwriters:	Peters & Co. Limited National Bank Financial Inc. Canaccord Genuity Corp. CIBC World Markets Inc. Cormark Securities Inc. GMP Securities L.P. Raymond James Ltd. Scotia Capital Inc. RBC Capital Markets TD Securities Inc. Paradigm Capital Inc.