

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Corporation:

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:

June 24, 2016

3. News Release:

A news release was issued on June 24, 2016 by, or on behalf of, the Company and disseminated through the facilities of a recognized news wire service.

4. Summary of Material Change:

On June 24, 2016, Twin Butte announced that it has entered into a definitive arrangement agreement (the "**Arrangement Agreement**") with Reignwood Resources Holding Pte. Ltd. (the "**Purchaser**") pursuant to which the Purchaser has agreed to acquire: (i) all of the outstanding common shares of Twin Butte ("**Twin Butte Shares**") for cash consideration of \$0.06 per share (the "**Share Consideration**"); and (ii) all of the outstanding 6.25% convertible unsecured subordinated debentures due December 31, 2018 of Twin Butte (the "**Debentures**") for cash consideration of \$140 per \$1,000 principal amount of Debentures, plus accrued and unpaid interest thereon (the "**Debenture Consideration**"). The proposed transaction (the "**Transaction**") is to be completed by way of a plan of arrangement under the *Business Corporations Act* (Alberta).

On June 24, 2016, Twin Butte also announced that it had entered into a forbearance and amending agreement (the "**Forbearance Agreement**") to the existing credit agreement (the "**Credit Agreement**") with its bank syndicate in connection with the Company's failure to repay the \$85 million non-revolving credit facility (the "**Non-Revolving Facility**") on June 23, 2016 and the extension of the revolving period of the Company's \$140 million revolving credit facility (the "**Revolving Facility**") from June 23, 2016 to the earlier of closing of the Transaction and termination of the Arrangement Agreement. The payment default upon maturity of the Non-Revolving Facility on June 23, 2016 constituted an event of default under the Company's Credit Agreement. The bank syndicate has agreed to forbear from exercising its rights and remedies related thereto and to any non-payment of interest on the outstanding Debentures until the earlier of closing of the Transaction, subject to certain milestones being met in accordance with the Forbearance Agreement, and termination of the Arrangement Agreement. The bank syndicate requires that the Transaction close by August 15, 2016, as such date may be extended for up to 90 days as required to obtain regulatory approvals for the Transaction.

5. Full Description of Material Change:

Plan of Arrangement

On June 24, 2016, Twin Butte announced that it has entered into the Arrangement Agreement with the Purchaser pursuant to which the Purchaser has agreed to acquire: (i) all of the

outstanding Twin Butte Shares for the Share Consideration; and (ii) all of the outstanding Debentures for the Debenture Consideration. The Transaction is to be completed by way of a plan of arrangement under the *Business Corporations Act* (Alberta).

The Purchaser is a partnership of the Reignwood Group and Horizon Holding Group, both privately held corporations domiciled in Hong Kong and Canada, respectively. The Reignwood Group is a global multi-industrial conglomerate active in sixteen industries including consumer products, real estate, hospitality and lifestyle, healthcare, aviation, ocean engineering, construction management and leasing. The Reignwood Group holds investments in over sixty subsidiaries worldwide and maintains a commitment to the green, healthy development concept through the promotion of business and cultural exchanges between China, Asia and the West.

Strategic Rationale

On December 9, 2015, Twin Butte announced the initiation of a strategic alternatives process led by a special committee of the Twin Butte board of directors (the "**Twin Butte Board**"), supported by management and their financial co-advisors (Peters & Co. Limited and National Bank Financial Inc.) to review alternatives to enhance shareholder value. The process was, in the context of the Company's ongoing semi-annual review of its credit facilities and the continued weakness in commodity prices, focused on addressing anticipated near term liquidity challenges associated with the expected inclusion of a non-revolving term component to the existing bank facility.

On January 15, 2016, Twin Butte announced the reduction of the Company's bank credit facility from \$275 million to \$225 million, consisting of a \$115 million revolving syndicated bank facility, a \$25 million operating facility and the Non-Revolving Facility. The Non-Revolving Facility was due April 30, 2016.

The extensive review process led to the evaluation of numerous strategic alternatives including asset sales, alternative debt financing and corporate transaction opportunities. Following a thorough review of each alternative, the Twin Butte Board and management team have determined that the Transaction represents the best alternative in the requisite time for all Twin Butte stakeholders. Furthermore, all of the directors and executive officers of Twin Butte have entered into support agreements and have agreed to vote an aggregate of approximately 3.9% of the outstanding Twin Butte Shares and 0.08% of the outstanding Debentures in favor of the Transaction, subject to the provisions of such support agreements.

The Transaction offers a liquidity event and cash consideration to all stakeholders, and effectively recapitalizes the Company, materially improving the balance sheet. The Purchaser has committed to certain minimum levels of future investment to capitalize on Twin Butte's high quality medium and heavy oil development opportunities and optimize existing producing assets further arresting declines and positioning Twin Butte for future growth. Twin Butte's head office and management will remain in Alberta, while continuing the operations and ensuring ongoing employment for the Company's staff.

The Purchaser has also reached agreement with Twin Butte's senior secured lenders with respect to the terms and conditions of a new credit facility to be available to the Company upon closing of the Transaction. Upon closing of the Transaction, the Twin Butte Shares and the Debentures will be de-listed from the Toronto Stock Exchange (the "**TSX**").

The Arrangement Agreement and Approvals

The Transaction is subject to various closing conditions, including receipt of the approval of the Court of Queen's Bench of Alberta, Twin Butte shareholder and debentureholder approval, and regulatory approvals, including approvals under the *Investment Canada Act* (Canada) and the *Competition Act* (Canada).

The Arrangement Agreement contains customary representations and warranties of each party and interim operational covenants by Twin Butte. The Arrangement Agreement also provides for, among other things, customary board support and non-solicitation covenants, subject to a "fiduciary out" for unsolicited "superior proposals" in favor of Twin Butte and a provision for the right to match any superior proposal in favor of the Purchaser.

The Arrangement Agreement provides for a mutual non-completion fee of \$5 million. The non-completion fee is payable in the event that the Transaction is not completed or is terminated by either party in certain circumstances, including if Twin Butte enters into an agreement with respect to a "superior proposal" or if the Twin Butte Board withdraws or modifies its recommendation with respect to the Transaction.

An annual and special meeting (the "**Meeting**") of Twin Butte shareholders and Twin Butte debentureholders will be called to consider, among other things, the Transaction. The Transaction will require the approval of 66^{2/3}% of the votes cast by the Twin Butte shareholders and, if required, the approval of a majority of a minority after excluding the votes cast in respect of the Twin Butte Shares held by certain directors and officers of Twin Butte, and 66^{2/3}% of the principal amount of the Debentures held by Twin Butte debentureholders and, if required, the approval of a majority of a minority after excluding the votes cast in respect of the Debentures held by certain directors and officers of Twin Butte, in each case present in person or by proxy at the Meeting. The Twin Butte shareholders and debentureholders will vote as separate classes of securities at the Meeting.

To enable the Company to complete the Transaction, Twin Butte has entered into the Forbearance Agreement to the Credit Agreement with its bank syndicate in connection with the Company's failure to repay the Non-Revolving Facility on June 23, 2016 and the extension of the revolving period of the Revolving Facility from June 23, 2016 to the earlier of closing of the Transaction and termination of the Arrangement Agreement. The payment default upon maturity of the Non-Revolving Facility on June 23, 2016 constituted an event of default under the Credit Agreement. The bank syndicate has agreed to forbear from exercising its rights and remedies related thereto and to any non-payment of interest on the outstanding Debentures (as described below) until the earlier of closing of the Transaction, subject to certain milestones being met in accordance with the Forbearance Agreement, and termination of the Arrangement Agreement. The bank syndicate requires that the Transaction close by August 15, 2016, as such date may be extended for up to 90 days as required to obtain regulatory approvals for the Transaction.

The Company is restricted from making any payment of interest on the outstanding Debentures while it is in default under the Credit Agreement. As a result, the semi-annual interest payment on the Debentures payable June 30, 2016 will be required to be deferred. However, this interest will be paid upon closing of the Arrangement in connection with the acquisition of the Debentures, together with all other accrued and unpaid interest on the Debentures, in accordance with the Arrangement. The TSX has advised the Company that the Debentures, when they commence trading on June 27, 2016, will trade on an interest flat basis until further notice. The

TSX has advised that it will not report accrued interest regarding any trades made on an interest flat basis to its participating organizations.

Further details with respect to the Transaction will be included in the information circular to be mailed to Twin Butte shareholders and debentureholders in connection with the Meeting. The Meeting is expected to be held in mid August 2016 with closing of the Transaction anticipated to occur thereafter in August 2016 upon satisfaction of all conditions precedent thereto.

Recommendation of the Twin Butte Board

Based on the Fairness Opinion (as defined below) and the recommendation of the special committee of the Twin Butte Board, and after consulting with its financial and legal advisors, among other considerations, the Twin Butte Board has unanimously: (i) determined that the Transaction is in the best interests of Twin Butte, the Twin Butte shareholders and the Twin Butte debentureholders; (ii) resolved to recommend that Twin Butte shareholders and Twin Butte debentureholders vote in favor of the Transaction; and (iii) determined that the consideration to be received by Twin Butte shareholders and Twin Butte debentureholders pursuant to the Transaction is fair to the Twin Butte shareholders and the Twin Butte debentureholders, respectively.

Advisors

Peters & Co. Limited acted as co-financial advisor to Twin Butte in connection with the Transaction and has provided its verbal fairness opinion (the "**Fairness Opinion**") that, subject to review of the final form of documents affecting the Transaction, as at the date of the Arrangement Agreement, the consideration to be received by Twin Butte shareholders pursuant to the Transaction is fair, from a financial point of view to Twin Butte shareholders. National Bank Financial Inc. is also acting as co-financial advisor to Twin Butte. Burnet, Duckworth & Palmer LLP acted as legal counsel to Twin Butte.

Deloitte Corporate Finance Inc. acted as exclusive financial advisor to the Purchaser and provided professional services including transaction origination and structuring, resource evaluation, tax advisory, financial due diligence and secured lender negotiation. Osler, Hoskin & Harcourt LLP acted as legal counsel to the Purchaser.

A copy of the Arrangement Agreement and the information circular will be filed on Twin Butte's SEDAR profile and will be available for viewing at www.sedar.com. A copy of the Forbearance Agreement will be filed on Twin Butte's SEDAR profile and will be available for viewing at www.sedar.com.

6. Reliance on Subsection 7.1(2) or (3) 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:

June 27, 2016

Forward-Looking Statements Advisory:

Certain information set forth in this material change report, including information and statements which may contain words such as "could", "plans", "should", "anticipates", "expects", "believes", "will" and similar expressions and statements relating to matters that are not historical facts, contain forward-looking statements, including but not limited to statements regarding: the Transaction and the anticipated timing of closing; mailing of the information circular related to the Meeting and the timing thereof and timing of the Meeting; the pending deferral of the Debenture interest payment and the treatment of the Debentures on the TSX; the benefits of the Transaction for Twin Butte, its stakeholders and employees and for Canada. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Twin Butte's control. Completion of the Transaction is subject to a number of conditions which are typical for transactions of this nature. Failure to satisfy any of these conditions, the emergence of a superior proposal or the failure to obtain approval of Twin Butte's shareholders or debentureholders may result in the termination of the Arrangement Agreement. The foregoing list is not exhaustive. Additional information on these and other risks that could affect completion of the Transaction will be set forth in the information circular, which will be available on SEDAR at www.sedar.com. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The actual results, performance or achievement of Twin Butte could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Twin Butte will derive therefrom. Twin Butte disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.