**FORM 51-102F3**
**MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Terra Energy Corp. ("Terra Energy" or the "Company")
Suite 970, 333 - 7th Avenue S.W.
Calgary, Alberta T2P 2Z1

**Item 2 Date of Material Change**

February 16, 2010

**Item 3 News Release**

A press release was disseminated on February 16, 2010 via Marketwire.

**Item 4 Summary of Material Change**

Terra Energy announced that it completed the asset exchange arrangement (the "Arrangement") previously announced in its media release dated February 1, 2010. Terra Energy and its counterparty, a large producer, negotiated and executed a formal Asset Exchange Agreement (the "Agreement"), and completed the assignment and conveyance of assets contemplated under the terms of the Agreement. The Arrangement involved an exchange of oil and gas assets, with cash forming no part of the consideration. The Effective Date of the Arrangement was November 1, 2009.

**Item 5 Full Description of Material Change**

Terra Energy announced that it has completed the Arrangement whereby Terra Energy has significantly expanded the Company's presence within the Montney "Fairway" in British Columbia. In accordance with the terms of the Agreement, Terra Energy acquired approximately 91 gross (66 net) sections of land located in several key areas of high activity in Northeast British Columbia, including Altares/Farrell Creek, Wilder/Monias, Groundbirch and Inga/Fireweed. The lands acquired by the Company are in close proximity to the Company's existing core area of operations. In addition to the Montney "Fairway", Terra Energy acquired certain additional lands in Northeastern British Columbia having identified potential for multi-frac horizontal development.

Upon completion of the Arrangement, Terra Energy is one of the largest holders of prospective Montney rights in British Columbia, with approximately 122 gross (100 net) sections within the prospective Montney "Fairway".

Under the terms of the Arrangement, Terra Energy acquired a 100 percent working interest in approximately 14 net sections of land located in the Altares/Farrell Creek area. Terra Energy anticipates licensing up to three vertical Montney tests and one recompletion in the area. Drilling and testing, including the application of micro-seismic technology, is anticipated to commence early in 2010 with a view towards assessing the potential for a multi-well horizontal development program. As of October 1, 2009, there were approximately 21 horizontal and 10 vertical Montney wells either drilled or licensed by various operators in areas adjacent to Farrell Creek, including a vertical Montney test well reported to have initial production of more than four million cubic feef (mmcf) per day.

In addition, Terra Energy has significantly increased its current interests in the Wilder area through the addition of approximately 17.5 gross (16.25 net) sections of land in addition to the approximately 60 gross (30 net) sections of prospective Montney in the Wilder area already owned by Terra Energy. Terra Energy expects to undertake four to six vertical Montney tests and one potential horizontal well in the area during 2010 in order to preserve title and test the Montney potential in the area. Terra Energy has initiated preliminary engineering for a 30 mmcf per day gas processing plant in the Monias/Wilder area to support anticipated production from a multi-well horizontal development program.

Under the Arrangement, Terra Energy further acquired varied interests in approximately 12 gross (3.75 net) sections (together with overriding royalties) in the Groundbirch area, located proximal to a recent horizontal Montney test that achieved a reported initial production rate of nine mmcf per day following 48 hours of continuous production testing. One ‘confidential’ horizontal development well has recently been drilled, and two or more follow-up horizontal Montney development wells are anticipated to be drilled this year on the Groundbirch lands contemplated under the Arrangement. Terra Energy is encouraged by results to date in the Groundbirch area and, subject to closing of the Arrangement, anticipates participating in horizontal Montney development drilling in the Groundbirch area during the course of 2010. The potential of this area is high and Terra Energy plans to work with its partner in the area to determine the ultimate scope for development in Groundbirch.

Additionally, Terra Energy is well positioned with a significant foothold in the Inga/Fireweed area of Northeastern British Columbia, following the addition of approximately 22.5 gross (8.5 net) sections of land with average working interests of between 25 and 40 percent and rights to related production and facilities in the Inga/Fireweed area. This land is on strike with the Fireweed Doig tight sand trend.

In consideration for the assets acquired under the Arrangement, Terra Energy assigned and conveyed to the counterparty all of its rights and interests in a specified resource play which has been under development by the Company for more than two years. This specified resource play consists of “tight” siltstones and shales which encase a porous and laterally-continuous sandstone “body” of approximately two metres in thickness. The sandstone body and adjacent shales and siltstones are charged with natural gas. Accordingly, the rights and interests assigned by Terra Energy under the Agreement were limited to only a designated geological interval of approximately 35 meters in thickness (embodying the entire resource play), extending across approximately 77 gross (69 net) sections of land. Terra Energy retained the balance of its rights and interests to all other geological units owned by Terra Energy in these 77 sections of land. The rights and interests assigned by Terra Energy did not include any wells or tangible assets, and were comprised entirely of Petroleum and Natural Gas Rights. At the Effective Date, the assets assigned by the Company under the Arrangement were not contributing to the Company’s overall production base or cash flow.

With the completion of the Arrangement, the Company will now be setting its 2010 Capital Plan and Budget. Further details of the Company’s development plans for 2010, including drilling plans for both vertical and horizontal wells in the Montney, will be forthcoming in the coming weeks.

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

For further information, please contact:

Bud K. Love
Vice President, Finance and Chief Financial Officer
Telephone: (403) 699-7777
Fax: (403) 264-7189

**Item 9 Date of Report**

February 24, 2010

## READER ADVISORY

All amounts in Canadian dollars unless otherwise specified

A boe conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency for the individual products at the wellhead. Such disclosure of boe's may be misleading, particularly if used in isolation.

This material change report certain statements which constitute forward-looking statements or information ("forward-looking statements"), including the statements regarding the licensing of up to three vertical Montney tests and one recompletion in Altares/Farrell Creek, the commencement of a multi-well horizontal development program, the undertaking of four to six vertical Montney tests and one potential horizontal well in the Wilder area, the participation in one or more horizontal Montney wells in the Groundbirch area, and the potential of such area, the release of the 2010 Capital Plan and drilling plans in the coming weeks. Results of proximal wells are not meant to forecast, imply or guarantee future performance of wells undertaken by Terra Energy. Although Terra Energy believes that the expectations reflected in our forward-looking statements are reasonable, our forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. As such, readers are cautioned not to place undue reliance on the forward-looking statements, as no assurance can be provided as to future results, levels of activity or achievements. Risks include, but are not limited to: the risks associated with the oil and gas industry (eg., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. The risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in more detail in our Annual Information Form and other documents available at www.sedar.com. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, Terra Energy does not undertake any obligation to publicly update or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.