

TWIN BUTTE ENERGY LTD.

**Notice of the Annual and Special Meeting of Shareholders
to be held on May 14, 2009**

The annual and special meeting of the holders of common shares of Twin Butte Energy Ltd. will be held in the Plaza Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Thursday, May 14, 2009, at 9:30 a.m., Calgary time, to:

1. receive and consider our financial statements for the fiscal year ended December 31, 2008, together with the report of the auditors thereon;
2. fix the number of directors of our company to be elected at the meeting at six (6);
3. elect six (6) directors of our company for the ensuing year;
4. appoint auditors for the ensuing year and to authorize the directors to fix their remuneration as such;
5. approve a new share option plan for our company;
6. approve all unallocated options under our company's existing stock option plan if the new share option plan is not approved; and
7. transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only shareholders of record at the close of business on March 31, 2009 (the "**Record Date**") are entitled to notice of and to attend the meeting or any adjournment or adjournments thereof and to vote thereat unless after the Record Date a holder of record transfers his or her Common Shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he or she owns such shares, requests, not later than 10 days before the meeting, that the transferee's name be included in the list of shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the meeting.

Shareholders may vote in person at the meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a shareholder) as their proxy to attend and vote in their place.

Shareholders unable to be present at the meeting are requested to date and sign the enclosed form of proxy and return it to our Corporate Secretary, c/o of Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, Facsimile: (403) 233-2857. In order to be valid, proxies must be received by Valiant Trust Company not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the meeting or any adjournment thereof.

A management proxy circular relating to the business to be conducted at the meeting accompanies this Notice.

Dated at Calgary, Alberta this 31st day of March, 2009.

By order of the Board of Directors

(Signed) James Saunders
President and Chief Executive Officer

TWIN BUTTE ENERGY LTD.

**Information Circular – Proxy Statement
dated March 31, 2009**

**For the Annual and Special Meeting
of Shareholders to be held on May 14, 2009**

PROXIES

Solicitation of Proxies

This information circular – proxy statement is furnished in connection with the solicitation of proxies by or on behalf of our management for use at the annual and special meeting of our shareholders (the "**Meeting**") to be held in the Plaza Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Thursday, May 14, 2009, at 9:30 a.m., local time, and any adjournment thereof for the purposes set forth in the accompanying Notice of Annual and Special Meeting. Only shareholders of record on March 31, 2009 are entitled to notice of, and to attend and vote at, the Meeting, unless a shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed form of proxy are our officers. **As a shareholder submitting a proxy you have the right to appoint a person (who need not be a shareholder) to represent you at the Meeting other than the person or persons designated in the form of proxy furnished by us. To exercise this right you should insert the name of the desired representative in the blank space provided in the form of proxy and strike out the other names or submit another appropriate proxy.** In order to be effective, the proxy must be deposited with our Corporate Secretary in care of Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares ("**Common Shares**") in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in your account statement provided by your broker, then in almost all cases those Common Shares will not be registered in your name on our records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms. Common Shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc., or another intermediary. If you receive a voting instruction form from Broadridge Financial Solutions, Inc. or another intermediary it cannot be used as a proxy to vote shares directly at the Meeting as the proxy must be returned (or otherwise reported as provided in the voting instruction form) as described in the voting instruction form well in advance of the Meeting in order to have the shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker (or agent of the broker), you may attend at the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. If you wish to attend the Meeting and indirectly vote your Common Shares as proxyholder for the registered shareholder, you should enter your own name in the blank space on the form of proxy provided to you and return the same to your broker (or the broker's agent) in accordance with the instructions provided by your broker (or agent), well in advance of the Meeting.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person to whom you give your proxy attends personally at the Meeting you or such person may revoke the proxy and you may vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited at our head office at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of our management. We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual and special meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

Exercise of Discretion by Proxy

The Common Shares represented by proxy in favour of management nominees will be voted on any poll at the Meeting. Where you specify a choice with respect to any matter to be acted upon the shares will be voted on any ballot in accordance with the specification so made. **If you do not provide instructions your shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual and special meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of Common Shares without nominal or par value which may be issued for such consideration as may be determined by resolution of our board of directors (the "**Board**"). As at March 31, 2009, there were 47,128,425 Common Shares issued and outstanding. As a holder of Common Shares, you are entitled to one vote on a ballot at the Meeting for each Common Share you own. We are also authorized to issue an unlimited number of preferred shares, issuable in series. Each series is issuable upon the terms and conditions as set by our Board at the time of creation, subject to the class priorities. As at March 31, 2009, there were no preferred shares issued and outstanding.

To the knowledge of our directors and officers, as at March 31, 2009, no person or company beneficially owned, or controlled or directed, directly or indirectly, Common Shares carrying more than 10% of the votes attached to all of the issued and outstanding Common Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

Directors will be elected at the Meeting. Our Board presently consists of eight members. It is proposed that the Board will be fixed at six members and the following persons will be nominated at the Meeting:

R. James Brown	James Saunders
Paul Colborne	Paul Starnino
David Fitzpatrick	Warren Steckley

Each director elected will hold office until the next annual general meeting, or until his successor is duly elected or appointed, unless his office be earlier vacated.

It is the intention of the management designees, if named as proxy, to vote "FOR" an ordinary resolution in favour of fixing our Board at six members and in favour of the election of the following persons to our Board unless otherwise directed. Management does not contemplate that any of these nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, **the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless you have specified in your proxy that your Common Shares are to be withheld from voting on the election of directors.**

The following information relating to the nominees as directors is based partly on our records and partly on information received by us from the nominees and sets forth the names and province and country of residence of all of the persons nominated for election as directors, the periods during which they have served as directors, their principal occupations or employments during the five preceding years and the approximate number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as of March 31, 2009.

Name, Province and Country of Residence	Director Since	Principal Occupation During the Five Preceding Years	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾
R. James Brown ⁽¹⁾⁽³⁾ Alberta, Canada	February 8, 2008	Independent businessman since January 1, 2009; prior thereto, Vice President and Chief Financial Officer of Fording Canadian Coal Trust and Elk Valley Coal Partnership from October 2005 until January 2009; prior thereto, Vice President, Finance and Chief Financial Officer of High Point Resources Ltd. (oil and gas company) from March 2004 to August 2005; and prior thereto, Vice President, Finance and Chief Financial Officer of Terraquest Energy Inc. (oil and gas company).	176,103
Paul Colborne ⁽¹⁾⁽²⁾ Alberta, Canada	February 28, 2006	Chairman of TriStar Oil & Gas Ltd. (oil and gas company) since December 2005; prior thereto, President and Chief Executive Officer of StarPoint Energy Ltd. (oil and gas company) from September 2003 to December 2005; and prior thereto, President and Chief Executive Officer of Crescent Point Energy Ltd. (oil and gas company).	1,682,212

Name, Province and Country of Residence	Director Since	Principal Occupation During the Five Preceding Years	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾
David Fitzpatrick Alberta, Canada	December 8, 2008	Independent businessman since July 2007; prior thereto President and Chief Executive Officer of Shiningbank Energy Ltd., administrator of Shiningbank Energy Income Fund (oil and gas fund).	25,000
James Saunders Alberta, Canada	December 30, 2005	President and Chief Executive Officer of Twin Butte since November 5, 2008 and Chairman of Twin Butte from September 2006 to December 2008; prior thereto Chairman and Chief Executive Officer of Prairie Schooner Petroleum Ltd. (oil and gas company) from September 2004 to September 2006; and prior thereto, President and Chief Executive Officer of Great Northern Exploration Ltd. (oil and gas company).	2,286,497
Paul Starnino ⁽³⁾ Alberta, Canada	February 8, 2008	Independent businessman since February 8, 2008; prior thereto, President and Chief Executive Officer of E4 from August 2005 to February 8, 2008; prior thereto, President and Chief Executive Officer of P3 Energy Ltd. (oil and gas company) from January 2005 to August 2005; and prior thereto, President and Chief Executive Officer of E3 Energy Inc. (oil and gas company).	411,165
Warren Steckley Alberta, Canada	March 20, 2009	President and Chief Operating Officer of Barnwell of Canada, Limited (oil and gas company).	23,754

Notes:

- (1) Member of the Audit Committee, which committee is required pursuant to the *Business Corporations Act* (Alberta). Ken Mullen, a director of our company who is not standing for re-election, is also a member of the Audit Committee.
- (2) Member of the Compensation, Nominating and Corporate Governance Committee. Craig Hruska, a director of our company who is not standing for re-election, is also a member of the Compensation, Nominating and Corporate Governance Committee.
- (3) Member of the Reserves Committee. Craig Hruska, a director of our company who is not standing for re-election, is also a member of the Reserves Committee.
- (4) We do not have an Executive Committee.
- (5) In addition, Messrs. Brown, Colborne, Fitzpatrick, Saunders and Starnino hold options to purchase 50,000, 63,000, 75,000, 350,000 and 63,000 Common Shares, respectively, exercisable at prices ranging from \$0.97 to \$3.06 per share.
- (6) Following the Meeting, the composition of the committees of our Board will be reviewed and reconstituted given that Craig Hruska and Ken Mullen, directors of our company, are not standing for re-election to our Board.

Additional Disclosure Relating to Proposed Directors

To the knowledge of our executive officers and directors, no proposed director: (i) is, or has been in the last 10 years, a director or executive officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trading order or similar order or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (ii) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets; or (iii) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body.

Appointment of Auditors

At the Meeting, shareholders will be called upon to appoint the firm of PricewaterhouseCoopers LLP, Chartered Accountants, of Calgary, Alberta, to serve as our auditors until the next annual general meeting of our shareholders and to authorize our directors to fix their remuneration as such. PricewaterhouseCoopers LLP have been our auditors since June 2006.

It is the intention of the management designees, if named as proxy, to vote "FOR" the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, as auditors of our company, to hold office until the next annual meeting of the shareholders and to authorize the directors of our company to fix their remuneration as such.

The directors of our company recommend that shareholders vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, as auditors of our company, at a remuneration to be fixed by the directors of our company.

The information required by Form 52-110F1 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, including information regarding the fees billed to our company by PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, is contained in our company's annual information form for the year ended December 31, 2008, under the heading "Audit Committee Information", an electronic copy of which is available on our company's SEDAR profile at www.sedar.com.

Approval of New Share Option Plan

Our company's existing stock option plan (the "**Option Plan**") is described under "Statement of Executive Compensation – Incentive Plan". Shareholders will be asked at the Meeting to consider and, if thought advisable, to approve a new share option plan (the "**New Option Plan**"), which will supersede and replace our existing Option Plan. Our company's existing Option Plan is due for approval by our shareholders in accordance with the rules of the Toronto Stock Exchange (the "**TSX**") which require that shareholders approve "rolling" share option plans every three years after institution. Rather than have shareholders approve certain amendments to the Option Plan to address the requirement of the TSX to adopt revised amending procedures, shareholders are being asked to approve the New Option Plan which contains provisions to address these requirements of the TSX. On March 31, 2009, our Board adopted the New Option Plan, subject to regulatory and shareholder approval. If the New Option Plan is approved as proposed, the outstanding options will remain in effect and be exercisable in accordance with their terms and be deemed to be issued under the terms of the New Option Plan.

The New Option Plan like the existing Option Plan has a "rolling maximum" whereby the maximum number of Common Shares that may be subject to options outstanding under the plan at any time is equal to 10% of the number of the outstanding Common Shares from time to time, less the number of Common Shares issuable pursuant to all other security based compensation arrangements (as defined in Part VI of the Company Manual of the TSX) of our company. Based on the number of Common Shares of the company outstanding on the date hereof, there would be 4,712,843 Common Shares, less the number

of outstanding Common Shares issuable pursuant to all other security based compensation arrangements of our company, reserved for issuance under the New Option Plan. A copy of the New Option Plan is set out in Appendix "A" to this information circular – proxy statement.

The New Option Plan is intended to aid us in attracting, retaining and motivating the officers, directors, employees and other eligible service providers of our company and our subsidiaries.

The maximum number of Common Shares issuable on exercise of outstanding options at any time is limited to 10% of the issued and outstanding Common Shares less the number of Common Shares issuable pursuant to all other security based compensation arrangements of our company. Any increase in the issued and outstanding Common Shares (whether as a result of the exercise of options or otherwise) will result in an increase in the number of Common Shares that may be issued on exercise of options outstanding at any time and any decrease in the number of options granted, due to the exercise of options, makes new grants available under the New Option Plan. Options that are cancelled, terminated or expire prior to the exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of options pursuant to the New Option Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, terminated or expired options.

Options granted pursuant to the New Option Plan have a term not exceeding ten years and vest in such manner as determined by our Board. Options granted under the New Option Plan are non-assignable. The exercise price of options granted is determined by our Board at the time of grant and may not be less than the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of grant.

The number of Common Shares reserved for issuance to any one optionee may not exceed 5% of the issued and outstanding Common Shares. The number of Common Shares under all security based compensation arrangements of our company: (i) issuable to insiders at any time shall not exceed 10% of the issued and outstanding Common Shares; and (ii) issued to insiders within any one year period shall not exceed 10% of the issued and outstanding Common Shares. In addition, the maximum number of Common Shares issuable on exercise of outstanding options at any time held by directors of our company who are not officers or employees of our company shall be limited to 3% of the aggregate number of issued and outstanding Common Shares.

In case of death of an optionee, options terminate on the date determined by our Board which may not be more than 12 months from the date of death and, if the optionee shall no longer be a director or officer of or be in the employ of, or a consultant or other service provider to, either our company or a subsidiary of our company (other than by reason of death or termination for cause), their options terminate on the expiry of a period not in excess of six months as determined by our Board at the time of grant. The number of Common Shares that an optionee (or his or her heirs or successors) are entitled to purchase until such date of termination: (i) shall in the case of death of the optionee, be all of the Common Shares that may be acquired on exercise of the options held by such optionee (or his or her heirs or successors) whether or not previously vested and the vesting of all such options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Common Shares which the optionee was entitled to purchase on the date the optionee ceased to be a service provider. In the case of the termination of an optionee for cause, options will terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing).

Except if not permitted by the TSX, if any options may not be exercised due to any Black-Out Period at any time within the three business day period prior to the normal expiry date of such options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be the seventh business day following the end of the Black-Out Period (or such longer period as permitted by the TSX and approved by our Board). A "**Black-Out Period**" means the period of time when, pursuant to any policies of our company, any securities of our company may not be traded by certain persons as designated by our company, including any holder of an option.

An optionee may, under the terms of the New Option Plan, make an offer (the "**Surrender Offer**") to our company, at any time, for the disposition and surrender by the optionee to our company (and the termination thereof) of any options for an amount (not to exceed the fair market value thereof) specified in the Surrender Offer and our company may, but is not obligated to, accept the Surrender Offer, subject to any required regulatory approval.

In the event: (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to shareholders to purchase Common Shares at prices substantially

below fair market value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities; then our Board may make such adjustments to the New Option Plan, to any options and to any option agreements outstanding under the New Option Plan as our Board may, in its sole discretion, subject to Exchange approval, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to optionees under the New Option Plan.

If there takes place a Change of Control of our company, as defined in the New Option Plan, all issued and outstanding options shall be exercisable (whether or not then vested) immediately prior to the time such Change of Control takes place and shall terminate on the 90th day after the occurrence of such Change of Control, or at such earlier time as may be established by our Board, in its absolute discretion, prior to the time such Change of Control takes place.

Our Board may amend or discontinue the New Option Plan at any time without the consent of a holder of options, provided that such amendment shall not alter or impair any options previously granted under the New Option Plan (except as otherwise permitted under the New Option Plan). In addition, our Board may, by resolution, amend the New Option Plan and any options granted under it without shareholder approval provided, however, that our Board will not be entitled to amend the New Option Plan without TSX and shareholder approval to: (i) increase the maximum number of Common Shares issuable pursuant to the New Option Plan; (ii) reduce the exercise price of an option held by an insider of our company; or (iii) extend the term of an option held by an insider of our company.

No financial assistance will be provided by our company to optionees to exercise stock options granted under the New Option Plan.

At the Meeting, shareholders will be asked to consider and, if thought advisable, to approve the following resolution:

"BE IT RESOLVED as an ordinary resolution of the shareholders of Twin Butte Energy Ltd. (the "**Company**") that:

1. the share option plan of the Company, as set out in Appendix "A" of the information circular – proxy statement of the Company dated March 31, 2009 (the "**New Option Plan**"), is hereby ratified and approved, subject to receipt of the approval of the Toronto Stock Exchange;
2. the outstanding stock options of the Company to purchase common shares of the Company remain in effect and are exercisable in accordance with their terms and are deemed to be issued under the terms of the New Option Plan; and
3. any director or officer of the Company be and is hereby authorized and directed to do such things and execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolution, and to complete all transactions in connection with the implementation of the New Option Plan."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the aggregate votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution. Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote for the approval of the New Option Plan.

Three Year Re-Approval of Unallocated Stock Options

In the event that shareholders do not approve the New Option Plan, shareholders will be asked to approve all unallocated options under the Option Plan. Our company's existing Option Plan is described under the heading "Statement of Executive Compensation – Incentive Plan" below. The Option Plan was last approved by shareholders on June 6, 2006.

Section 613(a) of the Toronto Stock Exchange Company Manual provides that every three years after the institution of a security based compensation arrangement all unallocated rights, options or other entitlements under such arrangement which does not have a fixed maximum number of securities issuable thereunder, must be approved by a majority of the issuer's directors and by the issuer's securityholders. As our Option Plan is considered to be a security based compensation arrangement and as the maximum number of Common Shares issuable pursuant to our Option Plan is not a fixed number but is instead equal to 10% of the outstanding Common Shares, approval is being sought at the Meeting to approve the grant of unallocated stock options under our Option Plan. If approval is obtained at the Meeting, the Corporation will not be required to seek further

approval of the grant of unallocated stock options under our Option Plan until May 14, 2012. If approval is not obtained at the Meeting, options which are outstanding as of May 14, 2009 will be unaffected; however, options which have not been allocated as of May 14, 2009 and options which are outstanding as of May 14, 2009 and which are subsequently cancelled, terminated or exercised, will not be available for a new grant of options under the Option Plan.

Accordingly, on March 31, 2009, the Board unanimously approved, subject to regulatory and shareholder approval, the unallocated stock options under our Option Plan. At the Meeting, in the event that shareholders do not approve the New Option Plan, shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution as follows:

"BE IT RESOLVED as an ordinary resolution of the shareholders of Twin Butte Energy Ltd. (the "**Company**") that:

1. all unallocated stock options which may be granted pursuant to the Company's stock option plan are approved and authorized until May 14, 2012; and
2. any director or officer of the Company be and is hereby authorized and directed to do such things and execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolution."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution. Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote for approval of the unallocated options under our Option Plan.

DIRECTOR COMPENSATION

Directors' Summary Compensation Table

The following table sets forth information concerning the compensation paid to our directors, other than directors who are also Named Executive Officers (as defined in "Statement of Executive Compensation"), for the year ended December 31, 2008.

<u>Name</u>	<u>Fees earned</u>	<u>Share-based awards</u>	<u>Option-based awards ⁽³⁾</u>	<u>Non-equity incentive plan compensation</u>	<u>Pension value</u>	<u>All other compensation</u>	<u>Total</u>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
R. James Brown ⁽¹⁾	Nil	Nil	46,600	Nil	Nil	Nil	46,600
Paul Colborne	Nil	Nil	73,332	Nil	Nil	Nil	73,332
David Fitzpatrick ⁽²⁾	Nil	Nil	27,675	Nil	Nil	Nil	27,675
Craig Hruska	Nil	Nil	73,332	Nil	Nil	Nil	73,332
Ken Mullen	Nil	Nil	73,332	Nil	Nil	Nil	73,332
Paul Starnino ⁽¹⁾	Nil	Nil	46,600	Nil	Nil	Nil	46,600

Notes:

- (1) Messrs. Brown and Starnino were appointed directors of our company on February 8, 2008.
- (2) Mr. Fitzpatrick was appointed a director of our company on December 8, 2008.
- (3) Refers to options granted under the Option Plan. See "Statement of Executive Compensation – Incentive Plan". The fair value of the options granted annually is obtained by multiplying the number of options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 50%, risk free rate of return – 45%, expected stock option life – three years, dividend yield rate – 0%.
- (4) Compensation information for Ron Cawston and James Saunders who were each Named Executive Officers (as defined below) in fiscal 2008 is contained in "Statement of Executive Compensation".

During the fiscal year ended December 31, 2008, we did not pay any compensation to our non-management directors, nor were our directors paid for attendance at board or committee meetings. Our directors were, however, entitled to be reimbursed for transportation and other expenses incurred for attendance at Board and committee meetings and for their reasonable expenses incurred in carrying out their duties as directors. Our directors are entitled to participate in the Option Plan and during the fiscal year ended December 31, 2008, our non-management directors were granted options to purchase an aggregate of 364,000 Common Shares exercisable at prices ranging from \$0.97 to \$3.06 per share. As at December 31, 2008, non-management

directors held options to purchase an aggregate of 364,000 Common Shares exercisable at prices ranging from \$0.97 to \$3.06 per share.

In 2009, the Compensation, Nominating and Corporate Governance Committee intends to conduct a review of director compensation for companies in our peer group and recommend compensation for our non-management directors which is competitive with companies in our peer group and which realistically reflects the responsibilities and time involved in being an effective director of our company.

Directors' Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth the aggregate option-based awards and share-based awards outstanding for each of our directors, other than directors who are also Named Executive Officers, as at December 31, 2008.

Name	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
R. James Brown ⁽¹⁾	50,000	2.45	March 3, 2013	Nil	Nil	Nil
Paul Colborne	63,000	3.06	May 23, 2013	Nil	Nil	Nil
David Fitzpatrick ⁽²⁾	75,000	0.97	December 8, 2013	Nil	Nil	Nil
Craig Hruska	63,000	3.06	May 23, 2013	Nil	Nil	Nil
Ken Mullen	63,000	3.06	May 23, 2013	Nil	Nil	Nil
Paul Starnino ⁽¹⁾	50,000	2.45	March 3, 2013	Nil	Nil	Nil

Notes:

- (1) Messrs. Brown and Starnino were appointed directors of our company on February 8, 2008.
- (2) Mr. Fitzpatrick was appointed a director of our company on December 8, 2008.
- (3) Calculated based on the closing price of the Common Shares on the TSX on December 31, 2008, which was \$0.65 per share, less the exercise price of the options.

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested for each of our directors, other than directors who are also Named Executive Officers, during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Option-based awards – Value vested during the year (as at vesting date)	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
R. James Brown	Nil	Nil	Nil
Paul Colborne	Nil	Nil	Nil
David Fitzpatrick	Nil	Nil	Nil
Craig Hruska	Nil	Nil	Nil
Ken Mullen	Nil	Nil	Nil
Paul Starnino	Nil	Nil	Nil

COMPENSATION DISCUSSION AND ANALYSIS

Role and Composition of the Compensation, Nominating and Corporate Governance Committee

Our company's compensation program is administered by the Compensation, Nominating and Corporate Governance Committee of our Board. The committee, amongst its other responsibilities, reviews and recommends annually to our Board the remuneration of our executive officers, employees and directors. The following individuals comprise the committee: Paul Colborne (Chair) and Craig Hruska. All of these directors are "independent" for the purposes of National Instrument 58-201 entitled "Disclosure of Corporate Governance Practices".

Executive Compensation Principles

Our compensation philosophy includes a "pay-for-performance" element which supports our company's commitment to delivering continuous strong performance for our shareholders. In addition, our compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to the success of our company for the benefit of our shareholders. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (cash bonuses) and long-term incentive compensation (stock options). The committee reviews all three components in assessing the compensation of individual executive officers and of our company as a whole. Salaries and bonuses are intended to provide current compensation and a short-term incentive for employees to meet our company's goals, as well as to remain competitive with the industry. Stock options are granted as a long-term incentive and to encourage commitment to our company.

When determining executive compensation, including the assessment of the competitiveness of our compensation practices, the committee reviews the compensation policies of companies in our company's informal peer group. In 2008, the peer group used consisted of approximately 25 similar sized companies with production ranging from 1,000 to 6,000 barrels of oil equivalent per day; however, other factors besides production such as revenues, cash flows generated, areas in which the companies operate and number of employees are considered when determining which companies to include in our company's peer group. Some of the salary information available in the public domain with respect to companies in our company's peer group can be outdated and therefore our company will also obtain industry reports providing salary levels. The industry reports provide general information about levels of compensation in the oil and gas industry or with respect to specific professions and not specific metrics about companies in our company's peer group. Based on the information available, the total compensation for our company's executive officers for 2008 falls within the mid-range of the companies in our company's peer group.

The President and Chief Executive Officer of our company is responsible for making recommendations to the committee with respect to compensation for our executive officers including the President and Chief Executive Officer. In making such recommendations, the President and Chief Executive Officer analyzes a number of factors including compensation data compiled from our company's peer group, corporate performance and individual executive officer performance. In assessing corporate performance, our company does not have any pre-determined set targets, but the following factors are considered: (a) our company's performance relative to its industry peer group; (b) year over year growth in production and reserves; (c) cash flow and cash flow per share amounts; (d) total operating costs and total general and administrative costs, as well as operating costs and general and administrative costs per barrel of oil equivalent; (e) annual finding, development and acquisitions costs; and (f) other corporate activity during the year. In assessing the performance of individual executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise, as well as subjective factors such as leadership and performance in such executive officer's specific role with our company.

The President and Chief Executive Officer then makes a recommendation to the committee with respect to the various elements of compensation to be awarded to each executive officer. The President and Chief Executive Officer also presents his analysis of corporate performance and individual executive officer performance to the committee.

Upon the receipt of such recommendation the committee reviews the evaluation in addition to the compensation data compiled with respect to our company's peer group and determines whether to accept the recommendation or make any changes. Recommendations for executive compensation, as well as for our company as a whole are then made by the committee to our full Board for approval. As the President and Chief Executive Officer is also a member of our Board, our Board meets in the absence of the President and Chief Executive Officer to discuss the recommendations made for executive compensation.

Each element of our company's executive compensation program is described in more detail below.

Executive Compensation Program

Base Salaries

The Committee recognizes that the size of our company prohibits base salary compensation for executive officers from matching those of larger companies in the oil and gas industry. The committee does believe, however, that performance-based compensation plans are an important element in the compensation packages for our company's executive officers, and that long-term equity interests, in the form of stock options, compensate for lower base salaries. This compensation strategy is similar to the strategies of many other companies in our company's peer group.

In setting base compensation levels of individual executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise as well as subjective factors such as leadership. Base salaries paid to executive officers of our company, including the President and Chief Executive Officer, are in the mid-range of the salaries paid to executive officers in our company's peer group. Salaries of executive officers, including that of the President and Chief Executive Officer, are reviewed annually.

Short-Term Incentive Compensation – Cash Bonuses

Our company has a discretionary bonus plan and the basis of awarding bonuses was approved by the committee. The discretionary bonus plan is structured to drive and reward the most recently completed fiscal year results. The committee waits to have final year end financial information filed by our company with Canadian Securities Regulatory Authorities before the committee starts the process of determining what, if any, cash bonuses will be awarded and paid in the second quarter of the year. It is the committee's philosophy that the total amount of bonuses paid should be tied primarily to performance, and distributed to individuals by taking into account their contribution to corporate performance, which includes achievements in relation to performance measures as outlined above. In addition, if performance expectations have been met, the discretionary bonus plan is intended to help ensure that the overall executive officer cash compensation (i.e. salary and bonus) is at the mid-range of total cash compensation of peer surveyed companies during the year in question. The committee reviews the factors mentioned above relative to peer companies in order to determine whether a bonus is in fact warranted. The amount of the bonus paid will not be set in relation to any formula or specific criteria but is the result of a subjective determination of our company's performance and is approved by the Board based upon the recommendations of the Committee. The amount paid in 2008 was based on the Committee's subjective assessment of our company's performance for the year and the employee's contribution thereto. A total of \$281,738 in bonuses was paid to the Named Executive Officers (as defined below) in 2008.

Long Term Incentive Compensation – Stock Options

Individual stock options, in the case of non-executive employees, are granted by our Board on the recommendation of senior management, and on the recommendation of the committee, in the case of executive officers including the Chief Executive Officer. Stock options are intended to align executive and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in our company's stock option plan rewards overall corporate performance, as measured through the price of the Common Shares. In addition, the plan enables executives to develop and maintain a significant ownership position in our company. See "Statement of Executive Compensation – Incentive Plan".

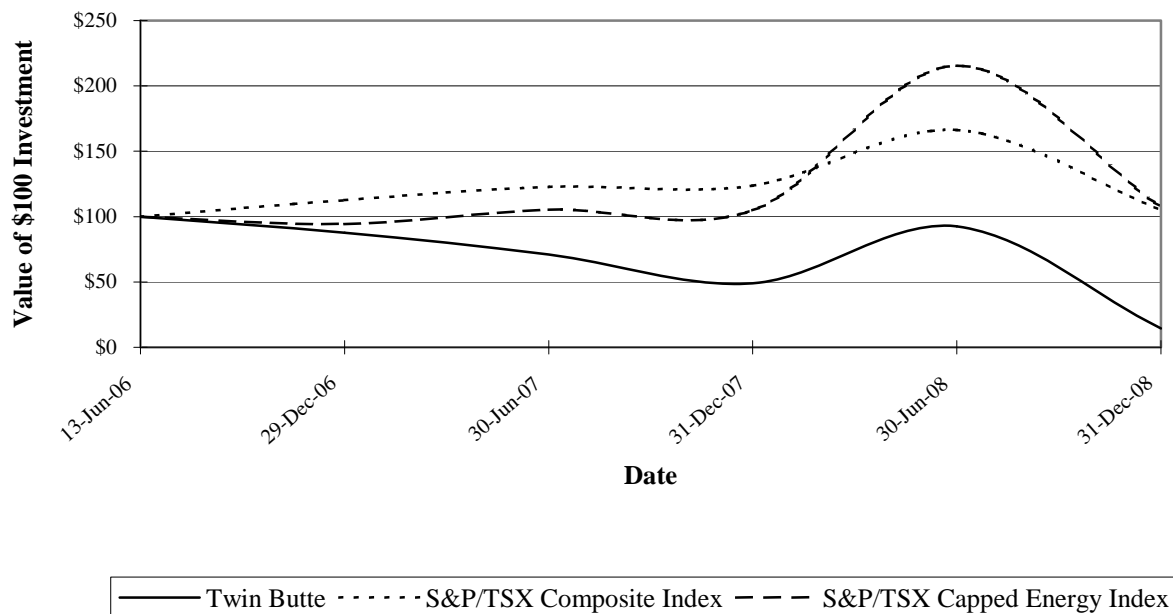
Stock options are normally awarded by our Board upon the commencement of employment with our company based on the level of responsibility within our company. Additional grants may be made periodically to ensure that the number of options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within our company. We also evaluate the number of options an individual has been granted, the exercise price of the options and the term remaining on those options when considering further grants. Options are priced at the five-day volume weighted average trading price of the Common Shares immediately preceding the date of grant. The current policy of our Board is that options vest at a rate of one-third on each of the first, second and third anniversaries of the date of grant and have a five year term.

Summary

Our compensation policies have allowed our company to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The committee and our Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of our company.

Performance Graph

The following graph compares the cumulative total shareholder return for \$100 invested in the Common Shares for the period from our initial listing on the TSX Venture Exchange on June 13, 2006 to December 31, 2008, as measured by the closing price of the Common Shares at the end of each six month period (on the TSX Venture Exchange until December 1, 2006 and on the TSX following December 1, 2006), with the cumulative total return on each of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index, assuming the reinvestment of dividends, where applicable, for the same period.



Comparison of Cumulative Total Return ⁽¹⁾⁽²⁾

	June 13, 2006	December 29, 2006	June 30, 2007	December 31, 2007	June 30, 2008	December 31, 2008
Twin Butte	\$100.00	\$87.78	\$70.89	\$48.89	\$92.67	\$14.44
S&P/TSX Composite Index	\$100.00	\$112.54	\$122.73	\$123.61	\$166.32	\$105.13
S&P/TSX Capped Energy Index	\$100.00	\$94.32	\$105.21	\$104.90	\$215.45	\$107.60

Notes:

- (1) Assuming an investment of \$100 on June 13, 2006.
- (2) On May 28, 2007, the Common Shares were consolidated on the basis of one post-consolidated Common Share for each five pre-consolidated Common Shares. The dollar values reported in the table above for the period prior to that date have been re-calculated to give effect to the consolidation.

As stock options form a significant portion of compensation, the total compensation for the Named Executive Officers (as defined below) is affected by increases and decreases in the price of the Common Shares as the value of such options decrease as the Common Share price decreases.

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation paid to our Chief Executive Officer and Chief Financial Officer and our only other executive officer, other than our Chief Executive Officer and Chief Financial Officer, for the year ended December 31, 2008 whose total compensation was more than \$150,000 (collectively, the "**Named Executive Officers**").

Name and principal position	Year	Salary	Share-based awards	Option-based awards ⁽³⁾	Non-equity annual incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans ⁽⁴⁾	Long-term incentive plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Ron Cawston President and Chief Executive Officer	2008 ⁽¹⁾	153,366	Nil	416,712	161,738	Nil	Nil	525,178 ⁽⁵⁾	1,256,994
James Saunders President and Chief Executive Officer	2008 ⁽²⁾	30,140	Nil	183,540	Nil	Nil	Nil	⁽⁶⁾	213,680
R. Alan Steele Vice President, Finance, Chief Financial Officer and Corporate Secretary	2008	160,417	Nil	75,660	60,000	Nil	Nil	⁽⁶⁾	296,077
Greg Hodgson Vice President, Production and Operations	2008	156,250	Nil	320,120	60,000	Nil	Nil	⁽⁶⁾	536,370

Notes:

- (1) Mr. Cawston ceased to be the President and Chief Executive Officer of our company on November 5, 2008.
- (2) Mr. Saunders was appointed President and Chief Executive Officer of our company on November 5, 2008.
- (3) Refers to options granted under the Option Plan. See "Statement of Executive Compensation – Incentive Plan". The fair value of the options granted annually is obtained by multiplying the number of options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 50%, risk free rate of return – 45%, expected stock option life – three years, dividend yield rate – 0%.
- (4) The amounts set forth in the column are the cash bonuses paid to our Named Executive Officers in June 2008.
- (5) In connection with the cessation of Mr. Cawston's employment on November 5, 2008 and in exchange for a full and final release, we paid Mr. Cawston a settlement payment of \$495,178 and paid Mr. Cawston a fee of \$30,000 in consideration of consulting services for a period of one month in fiscal 2008.
- (6) The value of perquisites received by the Named Executive Officer, including property or other personal benefits provided to the Named Executive Officer that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for the financial year.

Incentive Plan Awards

Outstanding Option-based and Share-based Awards

The following table sets forth all option-based awards and share-based awards outstanding for each of our Named Executive Officers as at December 31, 2008.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)		(\$)	(#)	(\$)
Ron Cawston	Nil	N/A	N/A	N/A	Nil	Nil
James Saunders	63,000 287,000	3.06 1.01	May 23, 2013 November 24, 2013	Nil Nil	Nil	Nil
R. Alan Steele	200,000 65,000	2.45 3.06	November 29, 2012 May 23, 2013	Nil Nil	Nil	Nil
Greg Hodgson	25,000 255,000	2.45 3.06	March 3, 2013 May 23, 2013	Nil Nil	Nil	Nil

Note:

- (1) Calculated based on the closing price of the Common Shares on the TSX on December 31, 2008, which was \$0.65 per share, less the exercise price of the options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested during the year ended December 31, 2008, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008, for each Named Executive Officer.

Name	Option-based awards – Value of options vested during the year (as at vesting date) ⁽¹⁾	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾
	(\$)	(\$)	(\$)
Ron Cawston	Nil	Nil	161,738
James Saunders	Nil	Nil	Nil
R. Alan Steele	Nil	Nil	60,000
Greg Hodgson	Nil	Nil	60,000

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on the TSX on the vesting date and the exercise price of the options.
- (2) The amounts set forth in the column are the cash bonuses paid to our Named Executive Officers in June 2008.

Pension Plan Benefits

Our company does not have a pension plan or similar benefit program.

Termination and Change of Control Benefits

Ron Cawston ceased to be an executive (President and Chief Executive Officer) and employee of our company on November 5, 2008. Mr. Cawston was paid all compensation earned up to the last day of employment and accrued and unused vacation. Mr. Cawston received a retiring allowance payment of \$495,178.50 and entered into a five month consulting agreement with us during which term Mr. Cawston received consulting fees of \$30,000 per month.

We have entered into executive employment agreements dated May 15, 2008 with each of R. Alan Steele and Greg Hodgson. The executive employment agreements continue indefinitely until terminated in accordance with the terms thereof. The executive officers are entitled to participate in and receive all rights and benefits under our benefit plans, and any other benefits and perquisites generally available to our employees. All of these group benefits and perquisites cease as of the last day of employment, regardless of why employment ceases.

The executive employment agreements may be terminated at any time for just cause (in which instance there are no payments other than accrued compensation) and without just cause. If the employment of Messrs. Steele or Hodgson is terminated without just cause such executives are, in addition to accrued compensation, entitled to a retiring allowance equal to one times their annual salary, a 15% top-up of annual salary for loss of benefits and perquisites, and one times the average of cash bonuses paid to the executive over the prior two years. In the event of a change of control (as defined in his executive employment agreement), Mr. Steele has the right for 90 days following the change of control to elect to terminate his executive employment agreement and employment and in such circumstances obtain a retiring allowance payment calculated on the same basis as if his employment had been terminated by us without just cause. In the event of a change of control (as defined in his executive employment agreement) Mr. Hodgson has the election to terminate his executive employment agreement and his employment if there is good reason (an adverse change in duties, powers, salary, or lines of reporting such that after such change the responsibilities and status of the executive are not substantially equivalent to those assigned to him immediately prior to such change) and to receive the retiring allowance payment calculated on the same basis as if his employment had been terminated by us without just cause. Any retiring allowance payments made to Messrs. Steele or Hodgson (regardless of whether before or after a change of control) are less required withholdings. The executives must sign a full and final release in exchange for the payment, and the executives if so requested must resign from any position they hold as a director or officer.

Regardless of the reason for employment ceasing, all of our executives have continuing confidentiality and fiduciary obligations. Messrs. Steele and Hodgson pursuant to the terms of their executive employment agreements have expressly agreed that for one year following their last day of employment they will not directly or indirectly solicit any of our employees or consultants.

Where the executive employment agreements are terminated other than for just cause, or in the event the executives elect to terminate those agreements following a change of control, the payments, as calculated at December 31, 2008, are as follows: R. Alan Steele \$261,250 and Greg Hodgson \$261,250.

Incentive Plan

Shareholders approved our existing Option Plan at the annual and special meeting of shareholders held on June 6, 2006. The Option Plan is administered by a special committee of our Board appointed from time to time by our Board to administer the Option Plan, or, if no such committee is appointed, our Board (our Board, or, if appointed, such committee is referred to as the "**Committee**"). Currently, our Board administers the Option Plan. The following is a summary description of the general operation of the Option Plan, which includes the following terms:

1. directors, officers, employees and consultants of our company or our subsidiaries and persons or companies who provide services to our company or our subsidiaries on an ongoing basis, or have provided or are expected to provide a service or services of considerable value to our company or our subsidiaries are eligible to receive options under the Option Plan;
2. the aggregate number of Common Shares that may be issued pursuant to the exercise of options awarded under the Option Plan shall be 10% of the Common Shares outstanding from time to time;
3. the aggregate number of Common Shares reserved for issuance to any one person under the Option Plan shall not exceed 5% of the outstanding issue of Common Shares;
4. the number of Common Shares reserved for issuance to our insiders, at any time, under all security based compensation arrangements, shall not exceed 10% of the outstanding Common Shares, and the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements, shall not exceed 10% of the outstanding Common Shares;

5. the aggregate number of Common Shares reserved for issuance to our directors who are not also our officers or employees shall not exceed 3% of the outstanding Common Shares;
6. the price of options under the Option Plan shall be fixed by our Committee but under no circumstances shall any option price at the time of the grant be lower than the market price per Common Share which is defined in the Option Plan as the five-day volume weighted average trading price of the Common Shares prior to the date of grant;
7. the term of the options granted under the Option Plan shall be determined by our Committee, subject to a maximum of 10 years from the date of the grant of the option;
8. vesting of the options granted under the Option Plan shall vest at such time or times as determined by our Committee at the time of the grant;
9. if any participant ceases to be eligible for a grant of options under the Option Plan for any reason, except the death of a participant, all options granted to the participant under the Option Plan and then held by the participant will, to the extent such options were exercisable immediately prior to the ineligibility, continue to be exercisable by the participant for a period of 30 days or until the expiry date of the option if earlier;
10. in the event of the death of a participant all unvested options held by the participant immediately before death shall vest immediately and all options will, continue to be exercisable by the legal representative of the participant for a period of 90 days following the death of the participant or until the expiry date of the option if earlier;
11. options shall not be assignable or transferable by the participants, except for a limited right of assignment to allow the exercise of options by a participant's legal representative in the event of death or incapacity, subject to the terms upon which the option is granted;
12. an optionee may, under the terms of the Option Plan, exercise the right (the "**Put Right**") from time to time to require our company to purchase all or any part of the options held by the optionee. Upon the exercise of the Put Right, our company will purchase from the optionee all of the options specified at a purchase price equal to the excess current market price (as defined in the Option Plan), determined on the date of exercise, over the exercise price for each option being purchased under the Put Right. Our Committee may at its sole discretion decline to accept the exercise of a Put Right at any time; and
13. our Committee may amend or discontinue the Option Plan at any time, provided that no such amendment shall be made without the approval of any stock exchange in which the Common Shares are listed, if required by such stock exchange, or, without the consent of any optionee, if it alters or impairs any option previously granted to such optionee under the Option Plan. Pursuant to the current requirements of the TSX, our company is not able to make any amendments of the Option Plan without securityholder approval.

On January 29, 2008, our Board accepted the voluntary surrender of options granted to officers and directors pursuant to the Option Plan to purchase an aggregate of 777,000 Common Shares at exercise prices ranging from \$2.91 to \$4.00 per share for cancellation.

In February 2009, our Board accepted the voluntary surrender of options granted to non-officer employees pursuant to the Option Plan to purchase an aggregate of 1,284,000 Common Shares at exercise prices ranging from \$1.24 to \$3.65 per share for cancellation.

The current balance of options to acquire 2,836,500 Common Shares represents approximately 6.0% of our currently outstanding Common Shares. As at March 31, 2009, there are 1,876,343 Common Shares remaining available for issuance under our Option Plan, calculated as 10% of our currently outstanding 47,128,425 Common Shares, less our outstanding options. All options currently outstanding under the Option Plan expire five years from the date of the grant and vest over three years commencing one year after the date of grant subject to accelerated vesting in the case of a change of control of our company.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Option Plan, which is our only equity compensation plan, as at December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾	3,458,000 Common Shares	\$2.21 per Common Share	1,254,843 Common Shares ⁽²⁾
Equity compensation plans not approved by securityholders	Nil	Not applicable	Nil
Total	3,458,000 Common Shares		1,254,843 Common Shares

Notes:

- (1) Our shareholders approved the Option Plan at the annual and special meeting of shareholders held on June 6, 2006.
(2) Calculated as 10% of the issued and outstanding Common Shares as at December 31, 2008, less the then outstanding stock options.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 entitled "Disclosure of Corporate Governance Practices" ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for our company is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of our current corporate governance practices, relative to the Form 58-101F1 Disclosure (which is set out below in bold).

1. Board of Directors

(a) Disclose the identity of directors who are independent.

Our Board has determined that the following six (6) directors of our company are independent:

R. James Brown
Paul Colborne
David Fitzpatrick
Craig Hruska
Ken Mullen
Warren Steckley

- (b) **Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Our Board has determined that two members of our Board are not independent. Our Board has determined that James Saunders is not independent as Mr. Saunders is also our President and Chief Executive Officer. Our Board has also determined that Paul Starnino is not independent as Mr. Starnino was the President and Chief Executive Officer of E4 Energy Inc. which our company acquired on February 8, 2008.

- (c) **Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "board") does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

Our Board has determined that a majority of the directors are independent.

- (d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors of our company are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Issuer</u>
R. James Brown	Culane Energy Corp.
Paul Colborne	Breaker Energy Ltd. Crescent Point General Partner Corp. Seaview Energy Inc. TriStar Oil & Gas Ltd.
David Fitzpatrick	Compton Petroleum Corporation Enerchem International Inc.
Ken Mullen	Raimount Energy Inc. Savanna Energy Services Corp.
James Saunders	Orleans Energy Ltd. Savanna Energy Services Corp.

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

The independent directors of our company regularly meet for a portion of each Board meeting without non-independent directors and management participation, and have met in camera 11 times since the beginning of the fiscal year ended December 31, 2008.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

Our Board has determined that David Fitzpatrick, the Chairman of our Board, is an independent director. Our Board has developed a position description for the Chairman of our Board which provides that the Chairman will have the following duties and responsibilities:

- (i) The Chairman will, when present, preside at all meetings of our Board and, unless otherwise determined by the directors, at all meetings of shareholders.
- (ii) The Chairman will endeavour to provide overall leadership to our Board without limiting the principle of collective responsibility and the ability of our Board to function as a unit.
- (iii) The Chairman will be responsible to ensure our Board meetings function satisfactorily and that the tasks of our Board are handled in the most reasonable fashion under the circumstances.
- (iv) The Chairman will endeavour to ensure that our Board's negotiations take place when as many of the directors as possible are present and that essential decisions are made when as many directors as possible are present.
- (v) The Chairman will endeavour to establish a line of communication with the Chief Executive Officer of our company to ensure our Board meetings can be scheduled to deal with important business that arises outside of the regular quarterly meetings.
- (vi) The Chairman will endeavour to fulfill his Board leadership responsibilities in a manner that will ensure that our Board is able to function independently of management. The Chairman will consider, and allow for, when appropriate, a meeting of all independent directors, so that Board meetings can take place without management being present. The Chairman will endeavour to ensure reasonable procedures are in place to allow for directors to engage outside advisors at the expense of our company in appropriate circumstances.
- (vii) With respect to meetings of directors or shareholders, it is the duty of the Chairman to enforce the Rules of Order. These duties include:
 - (A) ensuring that the meeting is duly constituted;
 - (B) ensure the meeting provides for reasonable accommodation;
 - (C) confirming the admissibility of all persons at the meeting;
 - (D) preserving order and the control of the meeting;
 - (E) in respect of shareholders' meetings, appointing scrutineers if requested and instructing them in their duties;
 - (F) rule on the validity of proxies; and
 - (G) to ascertain the sense of the meeting by a vote on all questions properly brought before the meeting.
- (viii) The Chairman will also liaise with management and the Corporate Secretary of our company to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for all Board and shareholder meetings.
- (ix) The Chairman will be the primary contact for stakeholders who wish to contact independent directors.

(g) **Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of our directors for board meetings and committee meetings held since January 1, 2008, is as follows:

Name of Director	Attendance Record
R. James Brown ⁽¹⁾	9/11 Board Meetings 5/5 Audit Committee Meetings 0/1 Reserves Committee Meetings
Paul Colborne ⁽²⁾	9/11 Board Meetings 2/2 Audit Committee Meetings 1/1 Compensation and Governance Committee Meetings ⁽⁶⁾ 2/2 Compensation, Nominating and Corporate Governance Committee Meetings
David Fitzpatrick ⁽³⁾	1/1 Board Meetings
Craig Hruska	10/11 Board Meetings 1/1 Compensation and Governance Committee Meetings ⁽⁶⁾ 2/2 Compensation, Nominating and Corporate Governance Committee Meetings 3/3 Reserves Committee Meetings
Ken Mullen	11/11 Board Meetings 4/5 Audit Committee Meetings 1/1 Compensation and Governance Committee Meetings ⁽⁶⁾ 2/2 Compensation, Nominating and Corporate Governance Committee Meetings
James Saunders ⁽⁴⁾	11/11 Board Meetings 4/4 Audit Committee Meetings 2/2 Reserves Committee Meetings
Paul Starnino ⁽⁵⁾	10/11 Board Meetings 2/2 Reserve Committee Meetings

Notes:

- (1) Mr. Brown was appointed to our Board on February 8, 2008. On March 19, 2008, Mr. Brown was appointed Chair of the Audit Committee and ceased to be a member of the Reserves Committee.
- (2) On March 19, 2008, Mr. Colborne ceased to be a member of the Audit Committee.
- (3) Mr. Fitzpatrick was appointed to our Board on December 8, 2008.
- (4) Mr. Saunders ceased to be a member of the Audit Committee and the Reserves Committee when he was appointed President and Chief Executive Officer of our company on November 5, 2008.
- (5) Mr. Starnino was appointed to our Board on February 8, 2008. On March 19, 2008, Mr. Starnino was appointed a member of the Reserves Committee.
- (6) On March 19, 2008, our Board reconstituted the Compensation and Governance Committee as the Compensation, Nominating and Corporate Governance Committee.
- (7) Warren Steckley was appointed to our Board on March 20, 2009 and has not attended any meetings of our Board.

2. Board Mandate

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The mandate of our Board is attached as Appendix "B" hereto.

3. Position Descriptions

- (a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

Our Board has developed written position descriptions for the Chairman of our Board as well as the Chairman of each of our Board committees, being the Audit Committee, the Compensation, Nominating and Corporate Governance Committee and the Reserves Committee.

- (b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and the CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

Our Board, with input from our President and Chief Executive Officer of our company has developed a written position description for our President and Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding:**

- (i) **the role of the board, its committees and its directors; and**
- (ii) **the nature and operation of the issuer's business.**

Upon joining our Board, management will provide a new director with access to all of the background documents of our company, including all corporate records, by-laws, corporate policies, organization structure, prior board and committee minutes, copies of the mandate of each of our Board and our committees, and relevant position descriptions. In addition, management will make a presentation to new directors regarding the nature and operations of our company's business.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for the directors of our company; however, our company encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of our company has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. Individual directors are encouraged to identify their continuing education needs through a variety of means, including discussions with management and at Board and committee meetings.

5. Ethical Business Conduct

- (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

- (i) **disclose how a person or company may obtain a copy of the code;**

Our Board has adopted a Code of Business Conduct and Ethics applicable to our directors, officers and employees. A copy of the Code of Business Conduct and Ethics is available for review on SEDAR at www.sedar.com or on our website at www.twinbutteenergy.com.

- (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

Our Board monitors compliance with the Code of Business Conduct and Ethics by requiring each of the senior officers of our company to affirm in writing on an annual basis their agreement to abide by the Code of Business Conduct and Ethics, as to their ethical conduct and in respect of any conflicts of interest. To the extent that our management is unable to make a determination as to whether a breach of the Code has taken place, our Board will review any alleged breach of the Code to determine whether a breach has occurred. Any waiver of the Code for executive officers or directors will be made only by our Board or a committee of our Board. In addition, our Compensation, Nominating and Corporate Governance Committee has as part of its mandate the responsibility for reviewing management's monitoring of our company's compliance with the Code of Business Conduct and Ethics.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the year ended December 31, 2008, that pertain to any conduct of a director or executive officer that constitutes a departure from our company's code of business conduct and ethics.

- (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. Our Code of Business Conduct and Ethics provides that activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by our Board; provided that the foregoing shall not apply to our directors who act as directors of other public or private companies who shall comply with the provisions of the *Business Corporations Act* (Alberta) in respect thereof and shall advise the Chairman of our Board of the holding of such directorships. Our Code of Business Conduct and Ethics provides that any potential conflicts of interest must be reported immediately to senior management, our Board or the Chairman of our Board, as appropriate.

- (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

Our Audit Committee has adopted a "Whistleblower Program" which provides our employees, management, officers, directors, contractors, consultants and our committee members with the ability to report, on a confidential and anonymous basis, any complaints and concerns regarding accounting, internal auditing

controls or auditing matters, including, but not limited to, unethical and unlawful accounting and auditing policies, practices or procedures, fraudulent or misleading financial information and instances of corporate fraud. Our Board believes that providing a forum for such individuals to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within our company.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

Our Board has delegated responsibility to the Compensation, Nominating and Corporate Governance Committee to recommend to our Board suitable candidates as nominees for election or appointment as directors. The committee usually canvasses all members of our Board for their input prior to making a recommendation to our Board. In identifying new candidates for Board nomination, our committee considers, among other things:

- (i) the competencies and skills that our Board considers to be necessary for our Board, as a whole, to possess;
- (ii) the competencies and skills that our Board considers each existing director to possess;
- (iii) the competencies and skills each new nominee will bring to the boardroom; and
- (iv) whether or not each new nominee can devote sufficient time and resources to his duties as a member of our Board.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee whose members are Paul Colborne (Chairman) and Craig Hruska, each of whom has been determined to be independent.

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The Compensation, Nominating and Corporate Governance Committee has, as part of its mandate, the responsibility for recommending suitable candidates as nominees for election or appointment as directors, and recommending the criteria governing the overall composition of our Board and governing the desirable individual characteristics for directors.

Pursuant to the mandate of the Compensation, Nominating and Corporate Governance Committee, the committee is to be comprised of at least three (3) directors of our company and all of such members shall be independent. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. At present, the Chairman of the Compensation, Nominating and Corporate Governance Committee is Paul Colborne.

The Compensation, Nominating and Corporate Governance Committee meets at least one time per year and at such other times as the Chairman of the committee determines.

7. Compensation

- (a) **Describe the process by which the board determines the compensation for the issuer's directors and officers.**

Compensation of Directors

The Compensation, Nominating and Corporate Governance Committee annually conducts a review of directors' compensation for board and committee service and recommends changes to our Board where appropriate. Our Board considers and approves the adequacy and form of the compensation of directors upon recommendation of the Compensation, Nominating and Corporate Governance Committee and ensures the compensation realistically reflects the responsibilities and time involved in being an effective director.

For the purpose of conducting its annual review of directors' compensation, the Compensation, Nominating and Corporate Governance Committee refers to director compensation data for companies in our peer group by reviewing public disclosure filed by such companies on SEDAR.

Compensation of Officers

See the disclosure under the heading "Compensation Discussion and Analysis" for the process by which the compensation for our executive officers is determined.

- (b) **Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee whose members are Paul Colborne (Chairman) and Craig Hruska, each of whom has been determined to be independent.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation, Nominating and Corporate Governance Committee has, as part of its mandate, the responsibility for reviewing matters relating to the human resource policies and compensation of the directors, officers and employees of our company in the context of the budget and business plan of our company. As part of the mandate and responsibility of the committee, the committee is responsible for formulating and making recommendations to our Board in respect of compensation issues relating to directors, officers and, to the extent determined appropriate, employees of our company. Without limiting the generality of the foregoing, the committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for officers of our company and to recommend to our Board changes to improve our company's ability to recruit, retain and motivate officers;
- (ii) to review and recommend to our Board the retainer and fees to be paid to members of our Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of our Chief Executive Officer and to evaluate our Chief Executive Officer's performance in light of those corporate goals and objectives, and determine (or make recommendations to our Board with respect to) the Chief Executive Officer's compensation level based on such evaluation; and
- (iv) to recommend to our Board with respect to non-Chief Executive Officer and director of compensation including to review management's recommendation for proposed stock option, share

purchase plans and other incentive-compensation plans and equity-based plans for non-Chief Executive Officer and director compensation and make recommendations in respect thereof to our Board;

- (v) to administer the stock option plan approved by our Board in accordance with its terms including the recommendation to our Board of the grant of stock options in accordance with the terms thereof;
 - (vi) to determine and recommend for approval of our Board bonuses to be paid to officers and employees of our company and to establish targets or criteria for the payment of such bonuses, if appropriate; and
 - (vii) to prepare and submit a report of the committee for inclusion in annual disclosure required by applicable securities laws to be made by our company including the Compensation Committee Report required to be included in the information circular – proxy statement of our company and review other executive compensation disclosure before our company discloses such information.
- (d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

A compensation consultant or advisor has not, at any time since the beginning of the year ended December 31, 2008, been retained to assist in determining compensation for any of our company's directors and officers. We have obtained employee compensation data for companies in our peer group from industry surveys and we have obtained director and officer compensation data for companies in our peer group by reviewing public disclosure filed by such companies on SEDAR.

8. Other Board Committees

- (a) If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

Our Board has created a Reserves Committee in addition to the Audit Committee and the Compensation, Nominating and Corporate Governance Committee. The members of the Reserves Committee are Craig Hruska (Chairman), R. James Brown and Paul Starnino. The Reserves Committee is responsible for:

- (i) reviewing our company's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing our procedures for complying with our disclosure requirements and restrictions set forth under applicable securities requirements;
- (ii) reviewing our company's procedures for providing information to the independent evaluator;
- (iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without limitation on the Reserves Data (as defined in National Instrument 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefore and whether there have been any disputes with management;
- (v) providing a recommendation to our Board as to whether to approve the content or filing of the statement of the Reserves Data and other any information that may be prescribed by applicable

securities requirements including any reports of the independent engineer and of management in connection therewith;

- (vi) reviewing our company's procedures for reporting other information associated with oil and gas producing activities; and
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of our company's reserves.

Pursuant to the mandate of the Reserves Committee, the committee is to be comprised of at least three (3) directors of our company and a majority of such members shall be independent. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. At present, the Chairman of the Reserves Committee is Craig Hruska. The Reserves Committee meets at least one time per year and at such other times as the Chairman of the committee determines.

Our Board has created a Compensation, Nominating and Corporate Governance Committee which, as part of its mandate, has the responsibility for developing the approach of our company to matters concerning corporate governance and, from time to time, shall review and make recommendations to our Board as to such matters. Without the limiting the generality of the foregoing, the Compensation, Nominating and Corporate Governance Committee has the following corporate governance duties:

- (i) annually review the mandates of our Board and its committees and recommend to our Board such amendments to those mandates as the committee believes are necessary or desirable;
- (ii) to consider and, if thought fit, approve requests from directors or committees of directors of the engagement of special advisors from time to time;
- (iii) to prepare and recommend to our Board annually a statement of corporate governance practices to be included in the our company's annual report or information circular as required by all of the stock exchanges on which the shares of our company are listed and any other regulatory authority;
- (iv) to make recommendations to our Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- (v) to review on a periodic basis the composition of our Board and ensure that an appropriate number of independent directors sit on our Board, analyzing the needs of our Board and recommending nominees who meet such needs;
- (vi) to assess, at least annually, the effectiveness of our Board as a whole, the committees of our Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to our Board), including considering the appropriate size of our Board;
- (vii) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of our Board or individual members of our Board;
- (viii) to develop and recommend to our Board for approval and periodically review structures and procedures designed to ensure that our Board can function effectively and independently of management;
- (ix) make recommendations to our Board regarding appointments of corporate officers and senior management;
- (x) review annually the committee's mandate and terms of reference;

- (xi) to review and consider the engagement at the expense of our company of professional and other advisors by any individual director when so requested by any such director;
- (xii) establish, review and update periodically a code of business conduct and ethics and ensure that management has established a system to monitor compliance with the code; and
- (xiii) review management's monitoring of our company's compliance with the code of business conduct and ethics.

9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

As part of its mandate the Compensation, Nominating and Corporate Governance Committee which was recently formed is responsible for assessing, at least annually, the effectiveness of our Board as a whole, the committees of our Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to our Board), including considering the appropriate size of our Board. The committee anticipates commencing formal assessments of our Board, its committees and individual directors this year. To date, our Board has satisfied itself that our Board, its committee and individual directors are performing effectively through informal discussions.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of our directors, proposed nominees for election as directors, executive officers, employees or former executive officers, directors or employees of us or our subsidiaries, or any associate of any such director, proposed nominee for director, executive officer or employee is, or has been at any time since the beginning of our most recently completed financial year, indebted to us or any of our subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of our most recently completed financial year has any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by us or any of our subsidiaries, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of our directors or executive officers, any shareholder who beneficially owned, or controlled or directed, directly or indirectly, more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of our last completed financial year or in any proposed transaction that has materially affected or would materially affect us or any of our subsidiaries, except as disclosed elsewhere in this information circular – proxy statement.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Our management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of our last financial year, of any proposed nominee for election as a director, or of any associates or affiliates of any of the foregoing persons, in any matter to be acted on at the Meeting other than the election of directors.

OTHER MATTERS

Our management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

ADDITIONAL INFORMATION

Additional financial information regarding our business is contained in our audited financial statements and management's discussion and analysis for the fiscal year ended December 31, 2008.

Additional information regarding our business including the materials listed in the preceding paragraph may be found on SEDAR at www.sedar.com. Our securityholders may contact us to request a copy of our financial statements and management's discussion and analysis at:

Twin Butte Energy Ltd.
Suite 600, 324 - 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

APPENDIX "A"

TWIN BUTTE ENERGY LTD.

SHARE OPTION PLAN

1. Purpose of Plan

The purpose of this plan is to aid in attracting, retaining and motivating the officers, directors, employees and other eligible Service Providers of Twin Butte Energy Ltd. and its subsidiaries in the growth and development of the Corporation and its subsidiaries by providing them with the opportunity through Options to acquire an increased proprietary interest in the Corporation.

2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

- (a) **"Black-Out Period"** means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (b) **"Board"** means the board of directors of the Corporation as constituted from time to time;
- (c) **"business day"** means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta are generally not open for business;
- (d) **"Change of Control"** means:
 - (i) a successful takeover bid; or
 - (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Corporation which results in:
 - (I) a person or group of persons "acting jointly or in concert" (as defined in the *Securities Act* (Ontario)), as amended from time to time); or
 - (II) an affiliate or associate of such person or group of persons;
holding, owning or controlling, directly or indirectly, more than 30% of the outstanding voting securities or interests of the Corporation; and
 - (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change;
- (iii) Incumbent Directors no longer constituting a majority of the Board; or
- (iv) the winding up of the Corporation or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Corporation to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of the Corporation is continued and where the shareholdings or other securityholdings, as the case may be, in the continuing entity and the constitution of the board of directors or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraph (d)(ii) above was applicable to the transaction); or

- (v) any determination by a majority of the Board that a Change of Control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Plan;
- (e) "**Common Shares**" means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 11 hereof, such other Common Shares to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;
- (f) "**Committee**" means a special committee of the Board appointed from time to time by the Board to administer the Plan or, if no such committee is appointed, the Board;
- (g) "**Corporation**" means Twin Butte Energy Ltd., and includes any successor corporation thereof;
- (h) "**Exchange**" means the TSX or, if the Common Shares are not then listed and posted for trading on the TSX, such stock exchange on which such Common Shares are listed and posted for trading as may be selected for such purpose by the Board;
- (i) "**Fair Market Value**" with respect to a Common Share, as at any date, means the weighted average of the prices at which the Common Shares traded on the TSX (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Common Shares occurs) for the five (5) trading days on which the Common Shares traded on the said exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (j) "**Incumbent Directors**" means any member of the Board who was a member of the Board at the effective date of the Plan and any additional member of the Board or successor to an Incumbent Director who was recommended or elected or appointed to the Board including to succeed any Incumbent Director by the affirmative vote of the Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
- (k) "**Insider**", "**associate**" and "**affiliate**" each have the meaning ascribed thereto in Part VI of the Company Manual of the TSX, as amended from time to time;
- (l) "**Market Price**" means the volume weighted average trading price of the Common Shares (calculated by dividing the total value by the total volume of the Common Shares traded for the relevant period) on the TSX (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Common Shares occurs) for the five (5) trading days immediately preceding the date of grant. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of the Common Shares at the time of grant as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (m) "**Option**" means an option to purchase Common Shares granted pursuant to the provisions hereof;
- (n) "**Option Agreement**" has the meaning ascribed thereto in Article 17 hereof;
- (o) "**Optionees**" means persons to whom Options are granted and which Options, or a portion thereof, remain unexercised;
- (p) "**Plan**" means this share option plan of the Corporation, as the same may be amended or varied from time to time;

- (q) **"Security Based Compensation Arrangements"** has the meaning ascribed thereto in Part VI of the Company Manual of the TSX, as amended from time to time;
- (r) **"Service Provider"** means a director, officer, employee and a person or company engaged by the Corporation or a subsidiary of the Corporation to provide services for an intended initial, renewable or extended period of twelve months or more;
- (s) **"takeover bid"** means a "take-over bid" as defined in the *Securities Act* (Ontario), as amended from time to time, pursuant to which the "offeror" would as a result of such takeover bid, if successful, beneficially own, directly or indirectly, in excess of 50% of the outstanding Common Shares; and
- (t) **"TSX"** means the Toronto Stock Exchange.

3. Administration

The Plan shall be administered by the Committee pursuant to rules of procedure fixed by the Board.

4. Granting of Options

The Committee may from time to time designate officers, directors, employees and other eligible Service Providers of the Corporation and its subsidiaries to whom Options may be granted and the number of Common Shares to be optioned to each, provided that the number of Common Shares to be optioned shall not exceed the limitations provided in Article 5 hereof.

5. Limitations to the Plan

Notwithstanding any other provision of the Plan:

- (a) the maximum number of Common Shares issuable on exercise of outstanding Options at any time shall be limited to 10% of the aggregate number of issued and outstanding Common Shares, less the number of Common Shares issuable pursuant to all other Security Based Compensation Arrangements;
- (b) the number of Common Shares reserved for issuance to any one Optionee will not exceed 5% of the issued and outstanding Common Shares;
- (c) the number of Common Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Common Shares;
- (d) the number of Common Shares issued to Insiders, within any one year period, under all Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Common Shares; and
- (e) the maximum number of Common Shares issuable on exercise of outstanding Options at any time held by directors of the Corporation who are not officers or employees of the Corporation shall be limited to 3% of the aggregate number of issued and outstanding Common Shares.

For the purposes of this Article 5, any increase in the issued and outstanding Common Shares (whether as a result of the exercise of Options or otherwise) will result in an increase in the number of Common Shares that may be issued on exercise of Options outstanding at any time and any decrease in the number of Options granted, due to the exercise of Options, will make new grants available under the Plan.

Options that are cancelled, terminated or expire prior to the exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Options

pursuant to this Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, terminated or expired Options.

6. Vesting

The Committee may, in its sole discretion, determine: (i) the time during which Options shall vest; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Committee to the contrary, Options will vest and be exercisable as to one-third (1/3) of the total number of Common Shares subject to the Options on each of the first, second and third anniversaries of the date of grant (computed in each case to the nearest whole Common Share). Notwithstanding the foregoing, the Committee may, at its sole discretion at any time or in the Option Agreement in respect of any Options granted, accelerate or provide for the acceleration of vesting of Options previously granted.

7. Option Price

The exercise price of Options granted under the Plan shall be fixed by the Committee when such Options are granted, provided that the exercise price of Options shall not be less than the Market Price of the Common Shares at the time an Option is granted (or such other minimum price as may be required by the stock exchange on which the Common Shares are listed at the time of grant).

8. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring or permitting acceleration of rights of exercise or the extension of the exercise period, be such period, not in excess of ten (10) years, as may be determined from time to time by the Committee, but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five (5) years from the date of grant. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable. In addition, each Option shall provide that:

- (a) upon the death of the Optionee, the Option shall terminate on the date determined by the Committee which shall not be more than twelve (12) months from the date of death and, in the absence of any determination to the contrary, will be six (6) months from the date of death;
- (b) if the Optionee shall no longer be a director or officer of or be in the employ of, or consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation (other than by reason of death or termination for cause), the Option shall terminate on the expiry of the period not in excess of six (6) months as prescribed by the Committee at the time of grant, following the date that the Optionee ceases to be a director or officer of, or an employee (in active employment carrying out regular and normal duties) of or a consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation and, in the absence of any determination to the contrary, will terminate thirty (30) days following the date that the Optionee ceases to be a director or officer of, or an employee (in active employment carrying out regular and normal duties) of or a consultant or other Service Provider to, the Corporation or any subsidiary of the Corporation; and
- (c) if the Optionee shall no longer be a director or officer of or be in the employ of, or consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation by reason of termination for cause, the Option shall terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing);

provided that the number of Common Shares that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination of the Option: (i) shall in the case of death of the Optionee, be all of the Common Shares that may be acquired on exercise of the Options held by such Optionee (or his or her heirs or successors) whether or not previously vested, and the vesting of all such Options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Common Shares which the Optionee was entitled to purchase on the date the Optionee ceased to be an officer, director, employee, consultant or other Service Provider, as the case may be.

If any Options may not be exercised due to any Black-Out Period at any time within the three (3) business day period prior to the normal expiry date of such Options (or the date of termination of such Options, as the case may be) (the "**Restricted Options**"), the expiry date (or termination date, as applicable) of all Restricted Options shall be extended for a period of seven (7) business days following the end of the Black Out Period (or such longer period as permitted by the Exchange and approved by the Committee).

The Plan does not confer upon an Optionee any right with respect to continuation of employment by or service provision to the Corporation or any subsidiary thereof, nor does it interfere in any way with the right of the Optionee, the Corporation or a subsidiary thereof to terminate the Optionee's employment or service provision at any time.

9. Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Common Shares then being purchased.

10. Surrender Offer

An Optionee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Optionee to the Corporation (and the termination thereof) of any of the Options granted hereunder for an amount (not to exceed the Fair Market Value of the Common Shares less the exercise price of the Options) specified in the Surrender Offer by the Optionee and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Optionee.

11. Alterations in Shares

In the event:

- (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or
- (b) that any rights are granted to shareholders to purchase Common Shares at prices substantially below Fair Market Value; or
- (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities;

then the Board may make such adjustments to the Plan, to any Options and to any Option Agreements outstanding under the Plan as the Board may, in its sole discretion, subject to Exchange approval, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Optionees hereunder.

12. Merger and Sale, etc.

Except in the case of a transaction that is a Change of Control and to which Article 13 applies, if the Corporation enters into any transaction or series of transactions whereby the Corporation or all or substantially all of the Corporation's undertaking, property or assets would become the property of any other trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor will execute such instruments and do such things as the Committee may determine are necessary to establish that upon the consummation of such transaction

the Successor will assume all the covenants and obligations of the Corporation under this Plan and the Option Agreements outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Plan and Option Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Option Agreements and the obligation of the Corporation to the Optionees in respect of the Options shall terminate and be at an end and the Optionees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares upon vesting of the Options.

13. Acceleration of Vesting

Notwithstanding any other provision in this Plan but subject to the terms of any employment agreement between the Corporation and an Optionee, if there takes place a Change of Control, all issued and outstanding Options shall be exercisable (whether or not then vested) immediately prior to the time such Change of Control takes place and shall terminate on the 90th day after the occurrence of such Change of Control, or at such earlier time as may be established by the Board, in its absolute discretion, prior to the time such Change of Control takes place.

14. No Rights as a Shareholder

An Optionee shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Common Shares issuable upon exercise of an Option until certificates representing such Common Shares have been issued and delivered.

15. Regulatory Authorities Approvals

The Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Options granted prior to receipt of such approval and after listing on any such stock exchange shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

16. Options to Companies

The provisions herein in respect of the grant of Options shall apply, with appropriate modifications, to the grant of Options to a company either: (i) wholly-owned by any person to whom Options may otherwise be granted hereunder; or (ii) controlled by any person to whom Options may otherwise be granted hereunder (and the shares of which are held directly or indirectly by any such person and such person's spouse, minor children and/or minor grandchildren); subject to any requirements of any applicable regulatory authority having jurisdiction.

17. Option Agreements

A written agreement (an "**Option Agreement**") will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which Option Agreement will set out the number of Common Shares subject to Option, the exercise price, the vesting dates, circumstances when vesting of Options may be accelerated, the expiry date and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The Option Agreement will be in such form as the Committee may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation. Such Option Agreements may also contain such other provisions not inconsistent with the provisions hereof as the Committee may determine. Until determined otherwise by the Committee, Option Agreements shall be in the form attached as Schedule "A" hereto.

18. Amendment or Discontinuance of the Plan

The Board may amend or discontinue the Plan at any time without the consent of an Optionee, provided that such amendment shall not adversely alter or impair any Option previously granted under the Plan except as otherwise permitted hereunder. In addition, the Board may, by resolution, amend this Plan and any Option granted under it without shareholder approval, provided however, that the Board will not be entitled to amend the Plan without Exchange and shareholder approval: (i) to increase the maximum number of Common Shares issuable pursuant to the Plan; (ii) to reduce the exercise price of an Option held by an Insider; or (iii) to extend the term of an Option held by an Insider.

19. Effective Time

This Plan shall be effective as of March 31, 2009.

SCHEDULE "A"

FORM OF SHARE OPTION AGREEMENT

MEMORANDUM OF AGREEMENT made as of the • day of •, 200•.

BETWEEN:

TWIN BUTTE ENERGY LTD., a body corporate existing pursuant to the laws of Alberta, having an office in the City of Calgary, in the Province of Alberta (the "**Corporation**")

OF THE FIRST PART

AND

•, an individual resident in the City of •, in the Province of • (the "**Optionee**")

OF THE SECOND PART

WHEREAS the Corporation has established a share option plan (the "**Plan**");

AND WHEREAS the Board of Directors of the Corporation has determined that options to purchase common shares of the Corporation pursuant to the Plan be granted to the Optionee as hereinafter provided for;

NOW THEREFORE in consideration of the services provided and to be provided by the Optionee to the Corporation or to one of the subsidiaries of the Corporation, as the case may be, THIS AGREEMENT WITNESSES and it is understood and agreed by and between the parties hereto as follows:

1. Grant of Option

Subject to the provisions hereinafter contained, the Corporation gives and grants to the Optionee options irrevocable unless otherwise terminated under the provisions of this Agreement up to and including •, 20•• (the "**Expiration Date**") to purchase • common shares of the Corporation (the "**Optioned Shares**"), as presently constituted, at a price of \$• per share on the following basis, namely:

- (a) one year from the date hereof the right to purchase one-third (1/3) of the Optioned Shares (rounded to the nearest full share) or • common shares shall vest in the Optionee and shall be exercisable thereafter on the terms and conditions set forth herein;
- (b) two years from the date hereof the right to purchase an additional one-third (1/3) of the Optioned Shares (rounded to the nearest full share) or an additional • common shares shall vest in the Optionee and shall be exercisable thereafter on the terms and conditions set forth herein; and
- (c) three years from the date hereof the right to purchase the balance of the Optioned Shares or an additional • common shares shall vest in the Optionee and shall be exercisable thereafter on the terms and conditions set forth herein.

Notwithstanding the foregoing, any written employment agreement entered into between the Corporation and the Optionee may provide for acceleration of vesting in certain circumstances and the Committee may accelerate the vesting and the right of the Optionee to exercise any of the options granted hereunder, at any time, at its sole discretion.

2. Term of Option

This option shall wholly terminate at the Expiration Date with respect to any Optioned Shares which shall not have been purchased hereunder by that date.

3. Manner of Exercise

This option shall be exercised by notice in writing given by the Optionee to the Corporation at its address for notice set out in clause 9 hereof (as changed from time to time thereunder), specifying the number of Optioned Shares in respect of which it is exercised and accompanied by payment in cash or certified cheque for the purchase price of all of the Optioned Shares specified in such notice, calculated in accordance with clause 1 hereof. As soon as practicable following receipt of the notice and payment aforesaid, the Corporation shall cause to be issued in the name of the Optionee a certificate representing the Optioned Shares in respect of which the option shall have been exercised.

4. Cessation of Employment or Office

In the event of the Optionee ceasing to be a director, officer, employee of, or consultant or other Service Provider to, either the Corporation or any subsidiary of the Corporation (other than by reason of death or termination for cause), this option shall terminate and become null and void as to any Optioned Shares not taken up and paid for pursuant hereto on the date (the "**Termination Date**") which is the first to occur of:

- (a) the expiration of 30 days following the date of termination or resignation or, in the event the Optionee is an employee, expiration of 30 days following the date of cessation of employment (carrying out regular and normal duties), regardless of whether advance notice was provided of the cessation date; and
- (b) the Expiration Date;

provided that the number of Optioned Shares that the Optionee shall be entitled to purchase until the Termination Date shall be the number of Optioned Shares which the Optionee was entitled to purchase on the date the Optionee ceased to be a director or officer of, or consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation, as the case may be, or in the event the Optionee is an employee of the Corporation or a subsidiary of the Corporation, the date of cessation of the employment (carrying out regular and normal duties), regardless of whether advance notice was provided of the cessation date. Notwithstanding the foregoing, if the Optionee shall no longer be a director, officer or employee of, or consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation by reason of termination for cause, the Option shall terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing).

5. Death of Optionee

In the event of the death of the Optionee during the term of this option while the Optionee is still in the service of the Corporation, this option shall terminate and become null and void as to any Optioned Shares not taken up and paid for pursuant hereto on the date (the "**Termination Date**") which is the first to occur of:

- (a) the expiration of six (6) months following the date of death; or
- (b) the Expiration Date;

provided that the number of Optioned Shares that the Optionee's legal personal representative shall be entitled to purchase until the Termination Date shall be all of the Optioned Shares that may be acquired on exercise of the Options held by such Optionee whether or not previously vested, and the vesting of all such Options shall be accelerated on the date of death for such purpose.

6. Assignment

This option shall not be assignable by the Optionee either in whole or in part and, upon any purported assignment being made in contravention of the terms hereof, this option shall become null and void and of no further force or effect.

7. Enurement

Except as otherwise set forth herein, this Agreement shall be binding upon and enure to the benefit of the heirs, executors, administrators and successors of the Optionee and of the Corporation, respectively.

8. Time

Time shall be of the essence of this Agreement.

9. Notice

All notices required or allowed to be given under this Agreement shall be made either personally or by mailing the same by prepaid registered post to:

The Optionee:

•

The Corporation:

Home Oil Tower
Suite 600, 324 – 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

Notices delivered personally shall be deemed to be received on the day of delivery, Saturdays, Sundays and statutory holidays excepted; notices given by mail shall be deemed to have been received by the addressee on the fourth business day following the date of mailing. Either party may change its address for notice hereunder in the above manner.

10. Obligation to Purchase

Nothing herein contained or done pursuant hereto shall obligate the Optionee to purchase and/or pay for any Optioned Shares except those Optioned Shares in respect of which the Optionee shall have exercised the option to purchase in the manner hereinbefore provided.

11. Rights Prior to Exercise

The Optionee shall have no rights whatsoever as a shareholder in respect of any of the Optioned Shares subject to this Agreement (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Optioned Shares in respect of which the Optionee shall have exercised the option to purchase hereunder and which the Optionee shall have actually taken up and paid for.

12. Agreement Subject to Plan

The Optionee acknowledges receipt of a copy of the Plan and hereby agrees that the terms and conditions of the Plan shall govern the Options granted hereby including, without limitation, all amendments to the Plan: (i) required by any applicable stock exchange or other regulatory authority; (ii) made by the Committee in accordance with the Plan; or (iii) otherwise consented to by the Optionee; and that this Agreement shall be deemed to be amended in accordance with any such amendments to the Plan. In the event of a conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern. The Optionee acknowledges that it has read and understands the provisions of the Plan. Capitalized words and phrases used herein but not defined herein have the meanings set forth in the Plan.

13. Regulatory Approvals

This Agreement shall not become effective and none of the Optioned Shares shall be issued until the approval of any stock exchange on which the Corporation's common shares are traded is obtained to the granting of the option provided for herein and, if required by any such stock exchange, approval of the shareholders of the Corporation to the grant of this option or to the Plan. In the event that the approval of such stock exchange is not so obtained within a period as may be specified by the Committee or if shareholder approval is not so obtained, if required, at the next meeting of shareholders of the Corporation, this Agreement shall terminate and cease to be of any force or effect.

14. Cessation of Employment

For the purposes of this Agreement, the Optionee shall be deemed to have ceased to be an employee of the Corporation or any subsidiary of the Corporation, as applicable, and the Optionee shall be deemed to have been terminated or resigned from employment or a consulting arrangement with the Corporation for the purposes hereof on the first to occur of such termination or resignation or the date (as determined by the Committee) that the Optionee ceases in the active performance of all of the regular duties of the Optionee's job, which includes the carrying on of all of the usual and customary day to day duties of the job for the normal and scheduled number of hours in each working day; the foregoing to apply whether or not adequate or proper notice of termination shall have been provided by and to the Corporation in respect of such termination of employment or consulting arrangement.

15. Employment by Subsidiary

For purposes of this Agreement, reference herein to employment by, consulting or Service Provider to, or the directorship of the Corporation of the Optionee shall be deemed to include employment by, consulting or Service Provider to or the directorship of any of the Corporation's subsidiaries of the Optionee, as the context requires.

IN WITNESS WHEREOF the parties hereto have hereunto executed and delivered this Agreement as of the day and year first above written.

TWIN BUTTE ENERGY LTD.

Per: _____

SIGNED, SEALED AND DELIVERED in the presence of:

Witness

APPENDIX "B"

TWIN BUTTE ENERGY LTD.

MANDATE OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors (the "**Board**") of Twin Butte Energy Ltd. ("**Twin Butte**" or the "**Corporation**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Twin Butte. In general terms, the Board will:

- in consultation with the Chief Executive Officer of the Corporation (the "**CEO**"), define the principal objectives of Twin Butte;
- supervise the management of the business and affairs of Twin Butte with the goal of achieving Twin Butte's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

SPECIFIC

Executive Team Responsibility

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Ensure that a process is established as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

Operational Effectiveness and Financial Reporting

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Ensure that a system is in place to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
- Ensure that processes are in place to address applicable regulatory, corporate, securities and other compliance matters.
- Ensure that an adequate system of internal control exists and that there are adequate management information systems.

- Ensure that due diligence processes and appropriate controls are in place with respect to applicable certification requirements regarding the Corporation's financial and other disclosure.
- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct and Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board (including independent members of the Board).

Board Process/Effectiveness

- Ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings and review Board materials prior to meetings.
- Engage in the process of determining Board member qualifications with the Compensation, Nominating and Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 – Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director and provide continuing education as required.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Develop a clear position description for the Chairman of the Board.

- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
- Establish committees, approve their respective mandates and the limits of authority delegated to each committee and develop clear position descriptions for the Chair of each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.
- Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation invests, or is contemplating potential investment.
- Independent directors shall meet regularly without non-independent directors and management participation.
- In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

DELEGATION

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Having regard to the Disclosure, Confidentiality and Trading Policy, the Chairman of the Board will act as a liaison between stakeholders and independent directors of the Board.