



### Highlights

Twin Butte Energy Ltd. ("Twin Butte" or the "Company") (TSX: TBE) is pleased to announce its financial and operational results for the three and nine months ended September 30, 2010.

	Three months ended September 30			Nine months ended September 30		
	2010	2009	% Change	2010	2009	% Change
<b>FINANCIAL</b>						
<i>(\$ thousands, except per share amounts)</i>						
Petroleum and natural gas sales	23,382	8,519	174%	72,765	26,275	177%
Funds flow <sup>(1)</sup>	10,069	2,906	246%	28,055	9,917	183%
Per share basic & diluted	0.08	0.05	60%	0.22	0.20	10%
Net (loss)/income	(1,135)	(3,542)	-68%	203	(11,728)	-102%
Per share basic & diluted	(0.01)	(0.06)	-83%	0.00	0.24	100%
Capital expenditures	13,511	2,042	562%	33,110	8,247	301%
Capital acquisitions/dispositions	(1,746)	-		(10,403)	(9,815)	6%
Corporate acquisitions	-	-		-	10,625	
Net debt <sup>(2)</sup>	76,238	42,114	81%	76,238	42,114	81%
<b>OPERATING</b>						
Average daily production						
Crude oil (bbl per day)	2,575	682	278%	2,382	688	246%
Natural gas (Mcf per day)	21,972	12,269	79%	22,352	12,410	80%
Natural gas liquids (bbl per day)	244	167	46%	264	141	87%
Barrels of oil equivalent (boe per day, 6:1)	6,481	2,894	124%	6,372	2,897	120%
Average sales price						
Crude oil (\$ per bbl)	61.04	67.57	-10%	63.13	59.06	7%
Natural gas (\$ per Mcf)	3.73	3.10	20%	4.41	3.96	11%
Natural gas liquids (\$ per bbl)	61.57	50.34	22%	66.45	46.16	44%
Barrels of oil equivalent (\$ per boe, 6:1)	39.21	31.99	23%	41.83	33.22	26%
Operating netback (\$ per boe) <sup>(3)</sup>						
Petroleum and natural gas sales	39.21	31.99	23%	41.83	33.22	26%
Realized gain on financial derivatives	3.18	2.92	9%	2.11	3.89	-46%
Royalties	(7.97)	(3.55)	125%	(8.71)	(3.04)	187%
Operating expenses	(12.93)	(12.99)	0%	(13.58)	(13.36)	2%
Transportation expenses	(1.58)	(2.41)	-34%	(1.58)	(2.46)	-36%
Operating netback	19.91	15.96	25%	20.07	18.25	10%
Wells drilled						
Gross	23.0	2.0	1,150%	60.0	5.0	1100%
Net	13.6	2.0	682%	35.6	5.0	613%
Success (%)	93	50	86%	97%	80%	21%
<b>COMMON SHARES</b>						
Shares outstanding, end of period	128,184,335	55,358,393	132%	128,184,335	55,358,393	132%
Weighted average shares outstanding – diluted	128,184,335	54,553,287	135%	127,206,180	49,630,576	156%

(1) Funds flow means cash flow from operating activities before changes in non-cash working capital and expenditures on asset retirement obligations. See Management's Discussion & Analysis Non-GAAP Measures.

(2) Net debt is defined as the sum of working capital deficiency and other liabilities excluding financial derivative assets or liabilities. Net debt is a Non-GAAP Measure.

(3) Operating netback is a Non-GAAP Measure and is the net of revenue, realized gain on financial derivatives, royalties, operating and transportation expenses.

## Report to Shareholders

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### *Active Third Quarter Program leads to Fourth Quarter Liquid Production Gains.*

Twin Butte executed upon another active capital program in the third quarter, drilling 23 gross (13.6 net) wells while expending approximately \$11.8 million net of dispositions. Overall drilling success rate was 93 percent, further demonstrating the repeatability of our significant drilling inventory and our growing operational momentum. Funds flow for the quarter was strong, setting a record level of \$10.1 million.

Twin Butte continues to maintain a strong balance sheet with net debt at the end of the quarter of \$76.2 million. The Company has recently received reconfirmation of our \$120 million credit facility providing ample capital to meet and exceed our internal growth targets while preserving significant financial flexibility should unique capital opportunities arise. To maintain this flexibility in light of continuing weak natural gas prices and the short term widening of light/heavy oil differentials the Company has slightly reduced its Q4 capital program to more closely match anticipated cash flow. This reduced spending will still allow corporate exit targets to be met while ensuring net debt at year end remains below \$80 million providing \$40 million in excess credit capacity.

Although weather related difficult operating conditions prevailed over most of the quarter the Company accomplished the majority of its planned drilling program. Completion activity on wells drilled in the third quarter, especially at Frog Lake, were delayed into the fourth quarter creating longer on-stream time challenges. As a result of this and an unplanned pipeline repair at our Pincher Creek property which caused approximately 300 boe per day to be shut in for most of August (approximately 100 boe per day for the quarter), third quarter production averaged 6,481 boe per day, essentially flat with the second quarter. Corporate production grew to and averaged 6,867 boe per day in September and liquid content continued to rise to 44 percent of total production for that month.

Current production is approximately 7,000 boe per day (48 percent liquids) which puts the Company on track to meet its forecast exit rate of 7,200 boe per day and positions Twin Butte for continued growth in 2011. Consistent predictable results from our capital plan, has allowed Twin Butte's production to grow even though over 460 boe per day of production has been sold since the Buffalo acquisition to strengthen our balance sheet. With continued success at our Frog Lake heavy oil, Bruce light oil, and Princess medium oil plays and over 90 percent of the 2011 capital plan focused on oil based activities, liquid production weighting will grow to in excess of 60 percent by the end of 2011.

At Frog Lake in the Eastern Plains of Alberta, the Company completed a 17 gross (8.5 net) oil well drilling program in the third quarter and has recently completed a 24 gross (12 net) oil well program in the fourth quarter both at a 100 percent success rate. The Company also drilled a water disposal well in the third quarter which when it commences service late in the fourth quarter will aid keeping our area costs below industry standards. With only 10 of the fourth quarter wells completed to date, Company production from Frog Lake has grown to over 2,300 boe per day, up from 1,100 boe per day when Twin Butte acquired the property approximately a year ago.

A second Frog Lake 3D seismic survey will be complete in the next few weeks which in combination with our first quarter 3D program will cover the majority of the Company's lands. These surveys will not only fine tune our extensive development drilling inventory but will further define potential on our undrilled exploratory acreage. We anticipate drilling a minimum of 80 gross (40 net) wells on the property in 2011. Twin Butte anticipates its current drilling inventory will allow continued profitable production growth for years to come.

At Bruce in the Eastern Plains an additional two, 100 percent interest horizontal oil wells, were drilled in the third quarter with an additional well cased awaiting completion in the fourth quarter, bringing our area total to six year to date. These wells continued to delineate a fourth quarter 2009 oil discovery. To handle increased solution gas volumes from the property, Twin Butte has completed construction of a gas plant in early September which has allowed production from the property to be optimized while allowing room for continued production growth in 2011. Based on 3D seismic coverage and anticipated results of a reservoir simulation study currently under way, the Company expects to drill two wells per quarter and to implement a water injection scheme during 2011 to enhance recovery.

At Princess in the Eastern Plains, production has recently commenced at approximately 150 boe per day on our first horizontal Pekisko oil well (100 percent) which was drilled in the third quarter. Based on this success and interpretation of Company owned 3D seismic, a number of follow up wells are planned for 2011.

In the Ansell area of the Deep Basin of Alberta, production has recently stabilized at 150 boe/d (40 percent NGL's) after 60 days of production from our first horizontal multistage fracture treated well. This third-quarter drilled well (with 64 percent working interest) targeted liquids rich Cardium gas and has de-risked the play on our lands where we currently have an inventory of 13 gross (6.5 net) additional locations. The Company has a number of other horizontal gas opportunities (Notikewin and Wilrich) in the area which will be developed when gas pricing dictates.

#### **OUTLOOK:**

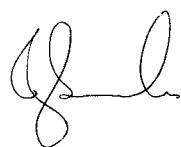
Twin Butte is in an enviable position of having a significant inventory of oil drilling locations allowing us to maximize return and minimize payout times on oil projects. We anticipate the majority of our 2011 capital program of approximately \$50 million will be oil based. As noted this will increase our liquid weighting by over 20 percent in 2011 to over 60 percent. With a reserve life index in excess of 15 years on our natural gas we are confident our low decline natural gas production; reserves; and drilling inventory will survive the anticipated protracted low natural gas price cycle providing significant investor optionality to our investors.

Our new strategy and corporate direction was set in 2009. We have been and will remain disciplined in pursuing this strategy. We continue to do what we said we would do. This has led to a financially stronger Company which continues to demonstrate its growth potential. Our organic exploration and development program continues to work. We have and will continue to establish a number of scalable play types in core areas that have and will make a meaningful difference to future corporate growth.

Our strategy is working and will continue to unfold in 2011.

Twin Butte is a value-oriented junior producer with a significant repeatable and scalable drilling inventory focused on large original oil in place and large original gas in place play types. With a stable low decline production base, the Company is well positioned to live within cash flow while providing shareholders with sustainable growth potential over both the short and long term. Twin Butte is committed to continually enhance its asset quality while focusing on per share growth.

On behalf of the Board of Directors,



Jim Saunders  
President and Chief Executive Officer

November 9, 2010

### Reader Advisory

Certain information regarding Twin Butte set forth in this news release including management's assessment of the Company's future plans and operations, the effect on the Company and on shareholders of Twin Butte, production increases and future production levels contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Twin Butte's control including, without limitation, the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, lack of availability of qualified personnel, stock market volatility, and ability to access sufficient capital from internal and external sources. Twin Butte's actual results, performance or achievements may differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Twin Butte will derive there from. Additional information on these and other factors that could affect Twin Butte's results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), or Twin Butte's website ([www.twinbutteenergy.com](http://www.twinbutteenergy.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Twin Butte does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

In this news release, reserves and production data are commonly stated in barrels of oil equivalent ("boe") using a six to one conversion ratio when converting thousands of cubic feet of natural gas ("Mcf") to barrels of oil ("bbl") and a one to one conversion ratio for natural gas liquids ("NGLs" or "ngls"). Such conversion may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## Management's Discussion and Analysis

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Dated as of November 9, 2010

The following discussion and analysis as provided by the management of Twin Butte Energy Ltd. ("Twin Butte" or the "Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2009 and the unaudited financial statements for the nine months ended September 30, 2010.

**Basis of Presentation** – The reporting and measurement currency is the Canadian dollar.

**Non-GAAP Measures** – Certain measures in this document do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles ("GAAP") such as operating netback, funds flow, funds flow from operations, funds flow per share, debt, net debt and capitalization and, therefore, are considered non-GAAP measures. The Management's Discussion and Analysis ("MD&A") contains the term funds flow from operations or funds flow which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with GAAP as an indicator of the Company's performance. All references to funds flow from operations or funds flow throughout this report are based on cash flow from operating activities before changes in non-cash working capital and expenditures on asset retirement obligations. The Company also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management's use of these measures has been disclosed further in this document as these measures are discussed and presented.

**boe Presentation** – Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion rate of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived by converting gas to oil at the ratio of six thousand cubic feet of gas to one barrel of oil.

**Forward-Looking Information** – Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving Twin Butte. Particularly, statements regarding our future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts.

These statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Forward looking-information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors include risk associated with oil and gas exploration, production, marketing, and transportation such as loss of market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risk, and competition from other producers and ability to access sufficient capital from internal and external resources.

Other than as required under securities laws, we do not undertake to update this information at any particular time.

## PETROLEUM AND NATURAL GAS SALES

Twin Butte realized the following production volumes, commodity prices and revenues:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
<b>Average Twin Butte Realized Commodity Prices<sup>(1)</sup></b>				
Crude oil (\$ per bbl)	61.04	67.57	63.13	59.06
Natural gas (\$ per Mcf)	3.73	3.10	4.41	3.96
Natural gas liquids (\$ per bbl)	61.57	50.34	66.45	46.16
Barrels of oil equivalent (\$ per boe, 6:1)	39.21	31.99	41.83	33.22
(1) The average selling prices reported are before realized financial instrument gains/losses and transportation charges.				
<b>Benchmark Pricing</b>				
WTI crude oil (US\$ per bbl)	76.20	68.19	77.65	57.00
WTI crude oil (Cdn\$ per bbl)	74.76	74.80	76.87	66.43
AECO natural gas (Cdn\$ per Mcf) <sup>(2)</sup>	3.52	2.98	4.12	4.10
Exchange rate (Cdn\$/US\$)	1.04	1.10	1.04	1.17
(2) The AECO natural gas price reported is the average daily spot price.				
<b>Revenue</b>				
\$000's				
Crude oil	14,459	4,242	41,048	11,104
Natural gas	7,538	3,503	26,923	13,400
Natural gas liquids	1,385	774	4,794	1,771
Total petroleum and natural gas sales	23,382	8,519	72,765	26,275
<b>Average Daily Production</b>				
Crude oil & natural gas liquids (bbl/day)	2,819	849	2,646	829
Natural gas (Mcf/day)	21,972	12,269	22,352	12,410
Total (boe/d)	6,481	2,894	6,372	2,897
% natural gas production	57%	71%	58%	71%

## REVENUES

Revenues for the three months ended September 30, 2010 were \$23.4 million, as compared to \$8.5 million for the three months ended September 30, 2009 representing an increase of \$14.9 million or 174%. This increase in revenue is attributed primarily to a year over year increase in production of 124% and an increase in the average price per boe received of 23%. Production grew from 2,894 boe/d in the three months ended September 30, 2009 to 6,481 boe/d for the three months ended September 30, 2010. The increase in production came from acquisitions in the second half of last year and internal growth. The average realized commodity price before hedging also increased from \$31.99 per boe in 2009 to \$39.21 in the three months ended September 30, 2010.

Revenues for the nine months ended September 30, 2010 were \$72.8 million, as compared to \$26.3 million for the nine months ended September 30, 2009, representing an increase of \$46.5 million or 177%. This increase in revenue is again attributed to production increases of 120% and commodity price increase of 26%. Production increased from 2,897 boe/d in 2009 to 6,372 boe/d in 2010. The average realized commodity price before hedging increased from \$33.22 per boe in 2009 to \$41.83 in 2010.

The Company's weighting to oil and liquids for the third quarter of 2010 was 43% compared to a weighting of 29% for the third quarter of 2009. The Company's weighting to oil and liquids for the nine months ended September 30, 2010 and the prior year comparative period was 42% and 29% respectively. The weighting has changed mainly due to the Buffalo acquisition and the Company drilling program since that time, both of which have increased the percentage of oil production in the Company and has been one of the major factors in seeing the increase in revenue per boe in both comparative periods. We anticipate the oil/gas weighting ratio will continue to increase.

## ROYALTIES

Royalties for the three months ended September 30, 2010 were \$4.8 million, as compared to \$0.9 million for the three months ended September 30, 2009. Royalties on an absolute basis increased as a result of increased production volumes from drilling success and the acquisitions from 2009. Liquids production comprised 43% of volumes for the third quarter 2010 as compared to 29% in 2009. As a percentage of revenues, the average royalty rate for the third quarter of 2010 was 20% compared to 11% for the comparative period of 2009. The rate has increased as the Company increases its oil weighting. Oil and liquids royalty rates were approximately 24% for the third quarter of 2010 while gas royalties were approximately 8%.

Royalties for the nine months ended September 30, 2010 were \$15.2 million, as compared to \$2.4 million for the nine months ended September 30, 2009. Royalties on an absolute basis increased with increased production volumes as a result of drilling success and the acquisitions from 2009. With this volume growth we have seen the liquids production move to 42% of total volumes up from 29% in 2009. As a percentage of revenues, the average royalty rate for the nine month period ended September 30, 2010 was 21% compared to 9% for the comparative period of 2009. Oil and liquids royalty rates were approximately 25% for the first nine months of 2010 while natural gas rates were approximately 14% of sales as compared to 13% and 6% respectively in 2009. With the higher oil prices compared to gas there is a higher royalty rate on liquids based production. Royalties for the nine month period ended September 30, 2009 also included a credit of \$0.5 million for B.C. royalties which reduced the overall 2009 royalty rate for the first nine months by 2%.

On March 3, 2009 the Alberta Government announced a series of incentives to assist the province's energy sector, including a one-year drilling royalty credit of \$200 per meter drilled for new conventional oil and natural gas wells, and a new well incentive program, which offers a maximum five percent royalty rate for the first year of production from new oil or gas wells. On June 25, 2009 the Alberta government extended these incentives to March 31, 2011. The Company has budgeted to drill some additional wells in 2010 that will benefit from the new well incentive program. Based on current drilling plans the Company expects to earn approximately \$4.0 million (\$3.6 million earned to date) in drilling royalty credits for 2010, but the majority of planned drilling in 2010 will not be eligible as it will not be on crown lands.

On March 11, 2010, the Alberta Government announced additional modifications to the province's Crown royalty framework. The changes included:

- > The current maximum five percent royalty rate for the first twelve months of production up to a maximum of 50,000 bbls of oil or 500,000 Mcf of natural gas becomes a permanent element of the calculation effective January 1, 2011;
- > The maximum royalty rate for crude oil wells was reduced to 40% from the previous 50% rate. This change will be effective January 1, 2011;
- > The maximum royalty rate for natural gas wells was reduced to 36% from the previous 50% rate. This change will be effective January 1, 2011; and,
- > Effective January 1, 2011, no Alberta drilled wells will be allowed to select the transitional royalty program.

On May 27, 2010, the Alberta government released the new royalty curves associated with the changes announced on March 11, 2010, which determine royalty rates at certain commodity price levels, and revised the natural gas deep drilling credit to wells deeper than 2,000 metres, compared to 2,500 metres previously. The deep drilling credit is \$625 per metre for metres below 2,000 metres to 3,500 metres. The drilling credits are treated as a reduction in capital spending.

## OPERATING EXPENSES

Operating expenses were \$7.7 million or \$12.93 per boe for the quarter ended September 30, 2010 as compared to \$3.5 million or \$12.99 per boe for the three months ended September 30, 2009. Operating expenses were \$23.6 million or \$13.58 per boe for the nine months ended September 30, 2010 as compared to \$10.6 million or \$13.36 per boe for the nine months ended September 30, 2009. The increase on an absolute dollar basis is mainly attributable to the production growth from acquisitions in 2009 and our internal drilling program. In the second and third quarters the Company incurred additional hauling and treating charges at Frog Lake with the increased heavy oil volumes and wet weather that restricted movement.

The Company has been implementing various initiatives, mainly at Frog Lake area to reduce operating costs and we are starting to see results, which should result in further small decreases over the next six to nine months.



## TRANSPORTATION EXPENSES

Transportation expenses for the three months ended September 30, 2010 were \$0.9 million or \$1.58 per boe compared to \$0.6 million or \$2.41 per boe in the prior year comparative quarter. Transportation expenses for the nine months ended September 30, 2010 were \$2.8 million or \$1.58 per boe compared to \$1.9 million or \$2.46 per boe in the prior year comparative period. The increase on an absolute basis is mainly attributable to the production growth from acquisitions in 2009 and our internal drilling program, while on a boe basis the cost has decreased mainly due the heavier oil weighting. On a combined basis for the nine month period we had operating and transportation costs of \$15.16 per boe as compared to \$15.82 per boe for the comparable period in 2009.

## GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

\$ 000's	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
G&A expenses	1,743	1,223	6,577	4,233
Recoveries	(154)	(62)	(940)	(179)
Capitalized G&A expenses	(192)	(250)	(1,147)	(762)
Total net G&A expenses	1,397	911	4,490	3,292
Total net G&A expenses (\$/boe)	\$2.34	\$3.42	\$2.58	\$4.16

General and administrative expenses, net of recoveries and capitalized G&A, were \$1.4 million or \$2.34 per boe for the current quarter as compared to \$0.9 million or \$3.42 per boe in the prior year comparative quarter. General and administrative expenses, net of recoveries and capitalized G&A, were \$4.5 million or \$2.58 per boe for the nine month period ended September 30, 2010 as compared to \$3.3 million or \$4.16 per boe in the prior year comparative period.

While total G&A costs have increased for both three and nine month comparatives due to the additional staff and costs of running the larger operation, on a per barrel basis we have seen a significant 38% reduction for the nine month comparative from \$4.16 to \$2.58 per boe. We anticipate G&A on a boe basis to continue to decline.

## STOCK BASED COMPENSATION EXPENSE

During the three month period ended September 30, 2010, the Company expensed \$0.2 million in stock based compensation as compared to \$0.1 million in the three month period ended September 30, 2009. During the nine month period ended September 30, 2010, the Company expensed \$0.5 million in stock based compensation as compared to \$1.3 million in the prior year comparative period. The prior period included a charge for stock based compensation expense recorded on the remaining unrecognized fair value of outstanding stock options that were cancelled in that period.

The Company granted 570,000 stock options in the third quarter of 2010 as compared to nil stock option grants in the third quarter of 2009.

## INTEREST EXPENSE

For the three months ended September 30, 2010, interest expense was \$0.4 million, similar to the prior year comparative quarter. For the nine months ended September 30, 2010, interest expense was \$2.4 million, an increase of \$1.2 million from \$1.2 million for the prior year comparative year. Higher interest costs in the 2010 period compared to the 2009 period are due primarily to higher debt levels as compared to the prior year comparative periods, resulting primarily from an increased bank borrowing balance after the acquisition of Buffalo Resources Corp.

The Company's current interest charge on bank borrowings is bank prime of 3.0% plus a margin of 1.50% for a total effective rate of 4.50%. This compares to last year's effective rate of 4.75%.

## UNREALIZED AND REALIZED GAINS (LOSSES) ON FINANCIAL DERIVATIVES

During 2009 and 2010, the Company entered into fixed price swap and costless collar contracts for natural gas and crude oil and fixed/floating interest rate swap transactions. As part of our financial management strategy, Twin Butte has adopted a commodity price and interest rate risk management program. The purpose of the program is to reduce volatility in the



financial results and to stabilize and hedge future cash flow against the unpredictable commodity price environment, with an emphasis on protecting downside risk.

Entering into financial derivatives is looked upon as a way for the Company to reduce go forward price risk by increasing the predictability of a portion of the Company's future revenue stream. However, there are risks that our counterparty becomes illiquid or the Company may not have the actual sales volumes to offset the hedge position. To reduce these risks the Company deals with a major Canadian bank as our counterparty on financial derivatives and limits the volumes hedged to approximately 50% or less of forecasted sales volumes.

The Company has recognized a realized gain on financial derivatives in the amount of \$1.9 million (\$3.18 per boe) for the three month period ended September 30, 2010 as compared to a \$0.8 million (\$2.92 per boe) realized gain for the prior year comparative period. The realized gain on financial derivatives for the three month period ended September 30, 2010 amounted to a gain of \$1.6 million for natural gas sales price derivatives, a gain of \$0.3 million for crude oil sales price derivatives and a loss of \$30 thousand for interest rate derivatives.

The Company has recognized a realized gain on financial derivatives in the amount of \$3.7 million (\$2.11 per boe) for the nine month period ended September 30, 2010 as compared to a \$3.1 million (\$3.89 per boe) realized gain for the prior year comparative period. The realized gain on financial derivatives for the nine month period ended September 30, 2010 included a gain of \$3.6 million for natural gas sales price derivatives, a gain of \$0.2 million for crude oil sales price derivatives and a loss of \$142 thousand for interest rate derivatives.

As at September 30, 2010, the Company has recognized a net unrealized financial derivatives asset in the amount of \$1.0 million. The Company has recognized an unrealized loss on financial derivatives in the amount of \$1.0 million for the three month period ended September 30, 2010 as compared to a \$1.3 million unrealized loss for the prior year comparative period.

For the nine month period ended September 30, 2011 the Company had posted a gain of \$2.2 million on unrealized financial derivatives as compared to a loss of \$2.9 million for the nine month period in 2009.

The Company has been able to take advantage of oil production to enhance our natural gas price over the next year through the use of an enhanced swap where we sell forward calls on oil production for 2011 and 2012 at prices currently above the strip market and use this value to enhance the swap price we will receive on natural gas sales through 2011 to well above the strip price. This increased gas price provides additional certainty to cash flow which is then recycled into an increased capital program.

The following is a summary of derivatives in effect as at September 30, 2010 and their related fair market values (unrealized gain (loss) positions):

#### Crude Oil Sales Price Derivatives

Daily barrel ("bbl") quantity	Remaining term of contract	Fixed price per bbl (CAD)	Fixed written call price per bbl WTI	Fixed price per bbl (WTI)	Fair market value \$ 000's
100	October 1 to December 31, 2010			US \$75.00	\$ (59)
200	October 1 to December 31, 2010			US \$77.00	\$ (31)
100	October 1 to December 31, 2010			US \$78.00	\$ (78)
200	October 1 to December 31, 2010	\$86.75			\$ 56
200	January 1 to December 31, 2011	\$88.00			\$ 4
750	January 1 to December 31, 2011		US \$95.00		\$ (1,419)
750	January 1 to December 31, 2012		US \$100.00		\$ (2,302)
<b>Crude oil fair value position</b>					<b>\$ (3,829)</b>

As at September 30, 2010 the marked-to-market value of the Company's crude oil sales price derivative was a liability of USD \$3.7 million, or a Canadian dollar equivalent of \$3.8 million.

### Natural Gas Sales Price Derivatives

Daily giga-joule ("GJ") quantity	Remaining term of contract	Fixed price per GJ (AECO Monthly)	Fixed price per GJ (AECO Daily)	Fixed written call price per GJ (AECO Monthly)	Fair Market value \$ 000's
1,000	October 1 to December 31, 2010			\$7.20	\$ 0
2,000	October 1 to December 31, 2010		\$5.60		\$ 390
2,000	October 1 to October 31, 2010		\$5.65		\$ 141
3,000	October 1 to December 31, 2010	\$5.90			\$ 670
3,000	January 1, 2011 to December 31, 2011			\$7.00	\$ (13)
4,500	November 1, 2010 to October 31, 2011		\$5.90		\$ 3,671
<b>Natural gas fair value position</b>					<b>\$ 4,859</b>

As at September 30, 2010 the marked-to-market value of the Company's natural gas sales price derivative contracts was an asset of approximately \$4.9 million.

### Fixed/Floating Interest Rate Derivatives

In January 2009, the Company entered into two interest rate swap transactions with the Company's bank. The Company entered into interest rate swap transactions for \$20.0 million at a fixed rate of 1.18% plus applicable bankers' acceptance stamping fees ranging from 1.75% to 4.00% for the period of January 30, 2009 to January 30, 2010, and \$20.0 million at a fixed rate of 1.45% plus applicable bankers' acceptance stamping fees ranging from 1.75% to 4.00% for the period of January 30, 2009 to January 30, 2011.

As at September 30, 2010 the marked-to-market value of the Company's fixed/floating interest rate derivative contract was a liability of approximately \$18,000.

### DEPLETION, DEPRECIATION AND ACCRETION EXPENSE

For the three month period ended September 30, 2010, depletion and depreciation of capital assets and the accretion of the asset retirement obligations was \$10.1 million or \$17.00 per boe compared to \$6.5 million or \$23.86 per boe for the three month period ended September 30, 2009. For the nine month period ended September 30, 2010, depletion and depreciation of capital assets and the accretion of the asset retirement obligations was \$29.1 million or \$16.76 per boe compared to \$21.7 million or \$26.82 per boe for the nine month period ended September 30, 2009. Per unit depletion rates in the three months ended September 30, 2010 compared to the prior year comparative period has decreased significantly as a result of a decreased cost of proved reserve additions on a per boe basis. Per unit depletion rates have decreased significantly as a result of the corporate acquisitions of Can-Able Energy Ltd. in the third quarter of 2009, Buffalo Resources Corp. in the fourth quarter of 2009 and low cost drilling results over the past year, where production and proved reserves were acquired at metrics lower than Twin Butte's historical cost base on a per boe basis.

### INCOME TAXES

Future income tax recovery amounted to \$0.2 million for the three month period ended September 30, 2010 compared to a future income tax recovery in the amount of \$1.4 million for the three month period ended September 30, 2009. Future income tax expense amounted to \$0.4 million for the nine month period ended September 30, 2010 compared to a future income tax recovery in the amount of \$4.3 million for the nine month period ended September 30, 2009.

The Company has existing tax losses and pools of approximately \$286.6 million.

### FUNDS FLOW FROM OPERATIONS, AND NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Funds flow from operations for the three month period ended September 30, 2010 was \$10.1 million, an increase of 246% from third quarter 2009 cash flow of \$2.9 million. This represents \$0.08 per diluted share compared to \$0.05 per diluted share same quarter last year and \$0.06 in the second quarter 2010. The increase in funds flow is due primarily to the 124% increase in production to 6,481 boe/d from 2,894 boe/d, along with improved commodity pricing.

Funds flow from operations for the nine month period ended September 30, 2010 was \$28.1 million, an increase of 183% from the nine month period ended September 30, 2009 funds flow of \$9.9 million. This represents a 10% increase in funds flow per

share basic and diluted of \$0.22 per share for the nine month period ended September 30, 2010 compared to \$0.20 per share for the prior year comparative period. The significant increase in funds flow is due primarily to the 120% increase in production along with improved commodity weighting to oil and liquids.

The stronger commodity prices and lower depletion allowed the Company to post a smaller net loss and comprehensive loss of \$1.1 million for the three month period ended September 30, 2010, equating to a basic and diluted net loss per share of \$0.01, compared to a net loss and comprehensive loss of \$3.5 million for the three month period ended September 30, 2009, equating to a basic and diluted net loss per share of \$0.06. The Company posted net income of \$0.2 million for the nine month period ended September 30, 2010, equating to a basic and diluted net income per share of \$0.00, compared to a net loss and comprehensive loss of \$11.7 million for the nine month period ended September 30, 2009, equating to a basic and diluted net loss per share of \$0.24. Again, much lower depletion per barrel reduced the loss considerably.

The net income and comprehensive income of \$0.2 million for the nine month period ended September 30, 2010 includes non-cash items including depletion, depreciation and accretion expense of \$29.1 million, future income tax expense of \$0.4 million, unrealized gain on financial derivatives of \$2.2 million and stock based compensation expense of \$0.5 million.

The following table summarizes netbacks for the past nine quarters on a barrel of oil equivalent basis:

<i>(\$ per boe)</i>	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Petroleum and natural gas sales	39.21	40.44	46.14	42.24	31.99	32.07	35.58	47.07	68.69
Royalties	(7.97)	(8.72)	(9.51)	(7.27)	(3.55)	(0.55)	(4.99)	(8.54)	(12.59)
Realized gain (loss) on financial derivatives	3.18	2.56	0.48	0.38	2.92	1.58	7.14	2.43	(3.88)
Operating expenses	(12.93)	(14.34)	(13.47)	(12.94)	(12.99)	(13.70)	(13.39)	(13.31)	(11.90)
Transportation expenses	(1.58)	(1.42)	(1.77)	(1.58)	(2.41)	(2.32)	(2.66)	(2.47)	(2.45)
Operating netback	19.91	18.52	21.87	20.83	15.96	17.08	21.68	25.18	37.87
General and administrative expenses	(2.34)	(2.69)	(2.72)	(3.63)	(3.42)	(5.15)	(3.93)	(4.61)	(2.74)
Interest expense	(0.69)	(1.43)	(1.56)	(2.52)	(1.62)	(1.59)	(1.40)	(1.82)	(1.53)
Funds flow from operations	16.88	14.40	17.59	14.68	10.92	10.34	16.35	18.75	33.60

#### QUARTERLY FINANCIAL SUMMARY

The following table highlights Twin Butte's performance for each of the past nine quarters:

<i>(\$ thousands, except per share amounts)</i>	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Average production (boe/d)	6,481	6,489	6,140	5,699	2,894	2,864	2,936	3,039	3,202
Petroleum and natural gas sales	23,382	23,880	25,503	22,150	8,519	8,359	9,396	13,158	20,235
Operating netback (per boe)	19.91	18.52	21.87	20.83	15.96	17.08	21.68	25.18	37.85
Funds flow from operations	10,069	8,261	9,726	7,714	2,906	2,691	4,319	5,243	9,895
Per share basic & diluted	0.08	0.06	0.08	0.08	0.05	0.06	0.09	0.12	0.23
Net income (loss)	(1,135)	(1,739)	3,077	(961)	(3,542)	(3,328)	(4,858)	(4,001)	5,909
Per share basic & diluted	(0.01)	(0.01)	0.03	(0.01)	(0.06)	(0.07)	(0.10)	(0.09)	0.14
Corporate acquisitions	–	–	–	120,539	10,624	–	–	–	–
Capital expenditures (net of dispositions)	11,765	5,309	5,633	(1,437)	2,042	(9,022)	5,412	9,211	17,623
Total assets	306,658	300,118	302,632	308,640	177,407	169,448	183,687	190,665	189,613
Net debt excluding financial derivatives	76,238	74,366	77,212	102,911	42,114	39,889	51,390	50,309	51,073

## CORPORATE ACQUISITIONS

On October 14, 2009, the Company closed the acquisition of Buffalo Resources Corp., a publicly traded exploration and production company, for total consideration of approximately \$120.5 million including net debt assumed. The purchase was funded through the issuance of 54,355,942 Common Shares of Twin Butte and was accounted for as a business combination using the purchase method of accounting. The Company retained 11,000,000 pre-existing Buffalo Resources Corp. warrants that are convertible to 7,700,000 Twin Butte Common Shares at \$2.14 per share and expire on May 9, 2011. The acquisition was material as it significantly increased the production base of the Company and expanded the Company's land position, including the addition of a core area focused on heavy oil at Frog Lake.

On July 10, 2009, the Company closed the acquisition of Can-Able Energy Ltd., a private exploration and production company, for total consideration of approximately \$10.6 million including net debt assumed. The purchase was funded through the issuance of 8,229,968 Common Shares of Twin Butte and was accounted for as a business combination using the purchase method of accounting. This acquisition complemented Twin Butte's strategy because of the addition of a new core area focusing on liquids rich natural gas in the Deep Basin.

## CAPITAL EXPENDITURES

During the third quarter of 2010, the Company invested \$13.5 million on capital activity, less proceeds of \$1.7 million from property dispositions, for net capital activity of \$11.8 million. Property dispositions were completed in areas that were assessed as non-core in an effort to focus the Company's capital investment in core growth areas, and to reduce the Company's net debt. The Company's capital expenditures for the third quarter were focused predominantly in the heavy oil core area of Frog Lake, drilling 17 (8.5 net) oil wells and 1 (0.5 net) service wells in that area, of the 23 (14.0 net) total wells drilled in the third quarter. In addition, the Company drilled two horizontal oil wells at Bruce, one horizontal Pekisko oil well at Princess which was brought on production in late October, one horizontal liquids rich Cardium gas well at Ansell which commenced production in mid September, and one D&A well at Jenner.

The Company has drilled a total of 60 (35.6 net) wells in the first nine months, of which 91% (net) were oil wells. During the nine months ended September 30, 2010, the Company has invested \$33.1 million on capital activity. In addition, the Company completed property dispositions for net proceeds of \$10.4 million leaving net capital invested at \$22.7 million. The following tables summarize capital expenditures, drilling results and undeveloped land positions for 2010 and 2009.

(\$ 000's)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Land acquisition	128	132	658	172
Geological and geophysical	99	90	593	351
Drilling and completions	10,126	481	21,886	3,255
Equipping and facilities	2,585	1,088	8,449	3,674
Property dispositions	(1,746)	–	(10,403)	(9,815)
Other	573	251	1,524	796
Total net capital expenditures	11,765	2,042	22,707	(1,567)

## Drilling Results

Three months ended September 30	2010		2009	
	Gross	Net	Gross	Net
Crude oil	20	11.5	1.0	1.0
Natural gas	1	0.6	–	–
Dry and abandoned	1	1.0	1.0	1.0
Service	1	0.5		
Total	23	13.6	2.0	2.0
Success rate (%)		93%		50%

Nine months ended September 30	2010		2009	
	Gross	Net	Gross	Net
Crude oil	56	32.5	1.0	1.0
Natural gas	2	1.6	3.0	3.0
Dry and abandoned	1	1.0	1.0	1.0
Service	1	0.5		
<b>Total</b>	<b>60</b>	<b>35.6</b>	<b>5.0</b>	<b>5.0</b>
Success rate (%)		<b>97%</b>		80%

### Undeveloped Land

The Company's undeveloped land position was expanded significantly as a result of undeveloped land acquired in the corporate acquisitions of Can-Able Energy Ltd. and Buffalo Resources Corp in 2009.

Nine months ended September 30	2010	2009
Gross Acres	357,537	169,349
Net Acres	260,798	131,547

### LIQUIDITY AND CAPITAL RESOURCES

The Company evaluates its ability to carry on business as a going concern on a quarterly basis. The key indicator is whether the funds flow after interest and G&A expenses will be sufficient to cover all obligations. In addition, the Company budgets to use cash flow from operating activities to fund the majority of the capital program to sustain or grow production net of declines. Funds derived from cash flow and asset dispositions may be used to apply to the Company's debt facility or fund the capital expenditure program.

In order to support the Company's business plan, Twin Butte's strategy is to fund the majority of its capital expenditure program with funds flow from operations. In order to maintain the Company's net debt at current or lower levels, Twin Butte plans to limit 2010 capital expenditures to approximately funds flow and proceeds from non-core property dispositions, which should continue to provide the Company a significant undrawn portion on the Company's credit facility borrowing.

As at September 30, 2010, the Company had a credit facility with a syndicate of two Canadian chartered banks in the amount of \$120.0 million which was renewed subsequent to the quarter end in October, 2010. The credit facility is composed of a \$120.0 million demand revolving operating credit facility. The Company's credit facility is subject to semi-annual review by the bank, with the next semi-annual credit facility review scheduled for April 2011. The facility is a borrowing base facility that is determined based on, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices and the current economic environment.

The credit facility provides that advances may be made by way of direct advances, bankers' acceptance, or standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin. The applicable margin charged by the bank is dependent on the Company's debt to cash flow ratio from the quarterly results two quarters earlier. The bankers' acceptances bear interest at the applicable bankers' acceptance rate plus a stamping fee, based on the Company's debt to trailing cash flow ratio. The credit facility is secured by a demand debenture and a general security agreement covering all assets of the Company.

The Company's bank indebtedness does not have a specific maturity date as it is a demand facility. This means that the lender has the ability to demand repayment of all outstanding indebtedness or a portion thereof at any time. If that were to occur the Company would be required to source alternate credit facilities or sell assets to repay the indebtedness. The Company reduces this risk by complying with the covenants of the banking syndicate and maintaining an undrawn balance on the facility. The covenants require maintaining a current ratio of not less than 1.0:1.0.

On an ongoing basis the Company will review its capital expenditures to ensure that funds flow and or access to credit facilities is available to fund these capital expenditures. The Company has the flexibility to adjust capital expenditures based on funds flow to manage debt levels.

At September 30, 2010, the Company had \$68.4 million drawn on its credit facility and total net debt (defined as the sum of working capital deficiency and other liabilities, excluding financial derivative contract assets or liabilities) of \$76.2 million. The company has \$51.6 million undrawn line on its credit facility. Twin Butte has met all of its covenants pertaining to this loan agreement and was not required to make any repayments.

The Company confirms there are no off balance sheet financing arrangements.

### SHARE CAPITAL

On February 2, 2010 the Company closed a bought deal equity financing of 18,400,000 Common Shares at a price of \$1.25 per share, for gross proceeds of \$23,000,000 (\$21,593,767 net of issue costs).

As of November 9, 2010 the Company has 128,184,335 Common Shares, 11,000,000 warrants convertible to 7,700,000 Common Shares, and 6,733,500 stock options outstanding.

### CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The Company had other commitments and guarantees in the normal course of business, consisting of an office space lease and equipment rentals which are not considered material.

The Company is involved in legal claims associated with the normal course of operations. The Company has completed an assessment and has determined that a contingent liability is not required in the financial statements.

### RELATED PARTY TRANSACTIONS

During the nine month period ended September 30, 2010 the Company incurred costs totaling \$2.9 million (September 30, 2009 - \$nil) for services rendered by a company in which an officer and director of Twin Butte is a director. These costs were incurred in the normal course of business and recorded at the exchange amount. As at September 30, 2010, the Company had \$0.9 million included in accounts payable and accrued liabilities related to these transactions.

### NEWLY ADOPTED ACCOUNTING POLICIES

On January 1, 2010, Twin Butte adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

- a) The CICA issued Handbook Section 1582 Business Combinations, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. The adoption of this standard will impact the accounting for business combinations entered into after January 1, 2010.
- b) Consolidated Financial Statements, Section 1601, which together with Section 1602 below, and replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard has not impacted Twin Butte's financial statements.
- c) Non-controlling Interests, Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard has not impacted Twin Butte's financial statements.

### Future Accounting Policy Changes & Status of Transition to International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

We will begin reporting our financial statements in accordance with the International Financial Reporting Standards (IFRS) for the period beginning on January 1, 2011, including comparative results, pursuant to the decision made by the CICA.

Throughout 2010, the Company has been evaluating and planning the implementation of a comprehensive enterprise wide project to manage the transition to IFRS with regular reporting to both senior management, the Audit Committee, and the board of directors. The project has focused on key impact areas including financial reporting, internal controls, systems and processes, communication and training. The project is being managed by an in-house team of accounting professionals who have engaged in IFRS education programs and continue to develop the Company's adoption to IFRS. The Company's auditors will be involved throughout the process to assist in determining whether the Company's policies are in accordance with these new standards.

Management has not yet finalized its accounting policies and as such is unable to quantify the impact on the financial statements of adopting IFRS. In addition, due to anticipated changes to IFRS and International Accounting Standards prior to Twin Butte's adoption of IFRS, management's plan is subject to change based on new facts and circumstances that arise after the date of the MD&A. The Company is finalizing position papers on Cash generating unit determination (CGU's), First Time Adoption of International Financial Reporting Standards (IFRS 1), Exploration and Evaluation Assets (E&E), and Componentization. These position papers will be the basis for building our opening balance sheet under IFRS.

In July 2009, the International Accounting Standards Board ("IASB") issued an amendment to IFRS 1 "First Time Adoption of International Reporting Standards." The amendment allows full cost accounting entities to elect, at the time of adoption, to measure exploration and evaluation assets at the amount determined under the entity's previous GAAP. The amendment will also permit full cost accounting entities to measure, at the time of adoption, oil and gas assets in the development or production phases, by using the total value determined under the entity's previous GAAP and allocating values at the unit of account level based on the Company's reserve volumes or reserve values as of the date of conversion. This exemption will relieve the Company from retrospective application of IFRS for its oil and gas assets. The Company currently anticipates that this exemption will be used, however, this will not be determined until the impact analysis and evaluation phase of the conversion project is complete.

During the project and related transition, we will monitor ongoing changes and adjust our transition plans accordingly. Our transition status is currently on track with our implementation schedule.

#### **ADDITIONAL INFORMATION**

Additional information relating to Twin Butte, including Twin Butte's financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.twinbutteenergy.com](http://www.twinbutteenergy.com).



## Balance Sheets

(unaudited)

As at	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Accounts receivable	\$ 19,685,326	\$ 20,758,953
Deposits and prepaids expenses	2,386,226	3,181,862
Financial derivatives (note 8)	4,566,516	-
	26,638,068	23,940,815
Future income taxes	2,347,965	2,402,381
Financial derivatives (note 8)	292,956	-
Property and equipment (note 3)	277,378,983	282,520,568
	\$ 306,657,972	\$ 308,863,764
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 29,466,590	\$ 29,713,116
Bank indebtedness (note 4)	68,350,654	96,342,448
Financial derivatives (note 8)	1,545,285	1,224,178
	99,362,529	127,279,742
Other liabilities	492,573	795,871
Financial derivatives (note 8)	2,302,206	-
Asset retirement obligation (note 5)	15,859,656	14,855,867
	118,016,964	142,931,480
<b>Shareholders' Equity</b>		
Share capital (note 6)	210,020,377	188,005,760
Warrants (note 6)	912,408	912,408
Contributed surplus (note 6)	4,675,705	4,184,787
Deficit	(26,967,482)	(27,170,671)
	188,641,008	165,932,284
	\$ 306,657,972	\$ 308,863,764

Commitments and contingencies (note 9)

See accompanying notes to the unaudited interim financial statements.

## Statements of Income (Loss), Comprehensive Income (Loss) and Deficit

(unaudited)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
<b>REVENUE</b>				
Petroleum and natural gas sales	\$ 23,382,175	\$ 8,519,247	\$ 72,765,495	\$ 26,274,883
Royalties	(4,750,239)	(946,380)	(15,151,888)	(2,407,608)
Realized gain on financial derivatives	1,897,116	777,617	3,671,965	3,074,292
Unrealized gain (loss) on derivatives (note 8)	(1,027,123)	(1,264,654)	2,236,158	(2,913,741)
	<b>19,501,929</b>	<b>7,085,830</b>	<b>63,521,730</b>	<b>24,027,826</b>
<b>EXPENSES</b>				
Operating	7,710,047	3,459,754	23,623,309	10,567,287
Transportation	941,322	642,126	2,756,597	1,949,913
General and administrative	1,397,101	910,763	4,489,848	3,291,894
Stock based compensation	249,173	82,919	490,918	1,308,043
Interest	412,019	431,606	2,361,049	1,215,588
Depletion, depreciation and accretion	10,135,877	6,521,995	29,148,659	21,721,089
	<b>20,845,539</b>	<b>12,049,163</b>	<b>62,870,380</b>	<b>40,053,814</b>
Income (loss) before income taxes	(1,343,610)	(4,963,333)	651,350	(16,025,988)
Income taxes				
Future income tax expense (recovery)	(208,600)	(1,421,448)	448,161	(4,298,317)
	<b>(208,600)</b>	<b>(1,421,448)</b>	<b>448,161</b>	<b>(4,298,317)</b>
Net income (loss) and comprehensive income (loss)	\$ (1,135,010)	\$ (3,541,885)	\$ 203,189	\$ (11,727,671)
Deficit, beginning of period	\$ (25,832,472)	\$ (22,668,163)	\$ (27,170,671)	\$ (14,482,377)
Deficit, end of period	\$ (26,967,482)	\$ (26,210,048)	\$ (26,967,482)	\$ (26,210,048)
Basic & diluted income (loss) per share	\$ (0.01)	\$ (0.06)	\$ 0.00	\$ (0.24)
Weighted average common shares outstanding				
Basic	128,184,335	54,553,287	125,994,005	49,630,576
Diluted	128,184,335	54,553,287	127,206,180	49,630,576

See accompanying notes to the unaudited interim financial statements.

## Statements of Cash Flows

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	\$ (1,135,010)	\$ (3,541,885)	\$ 203,189	\$ (11,727,671)
Items not involving cash				
Depletion, depreciation and accretion	10,135,877	6,521,995	29,148,659	21,721,089
Future tax expense (recovery)	(208,600)	(1,421,448)	448,161	(4,298,317)
Unrealized (gain) loss on financial derivative (note 8)	1,027,123	1,264,654	(2,236,158)	2,913,741
Stock based compensation (note 6)	249,173	82,919	490,918	1,308,043
	10,068,563	2,906,235	28,054,769	9,916,885
Expenditures on asset retirement obligations	(205,825)	(359,628)	(310,788)	(489,182)
Changes in non-cash working capital	1,627,499	(812,795)	(5,328,777)	1,970,642
	11,490,237	1,733,812	22,415,204	11,398,345
<b>FINANCING ACTIVITIES</b>				
Change in bank indebtedness	(4,320,769)	(739,932)	(27,991,794)	(5,151,352)
Issuance of share capital	–	–	23,000,000	–
Issuance of share capital on exercise of stock options	–	–	37,733	–
Share issue costs	–	(25,258)	(1,416,861)	(95,075)
	(4,320,769)	(765,190)	(6,370,922)	(5,246,427)
<b>INVESTING ACTIVITIES</b>				
Expenditures on property and equipment	(13,510,894)	(2,042,051)	(33,110,100)	(8,247,338)
Proceeds on dispositions of property and equipment	1,745,962	(170,570)	10,402,789	9,644,231
Change in non-cash working capital	4,595,464	1,243,999	6,663,029	(7,548,811)
	(7,169,468)	(968,622)	(16,044,282)	(6,151,918)
Decrease in cash and cash equivalents	\$ –	\$ –	\$ –	\$ –
Cash and cash equivalents, beginning of period	\$ –	\$ –	\$ –	\$ –
Cash and cash equivalents, end of period	\$ –	\$ –	\$ –	\$ –
Cash interest paid	\$ 412,019	\$ 404,820	\$ 2,361,049	\$ 1,134,410

See accompanying notes to the unaudited interim financial statements.

## Notes to Financial Statements – September 30, 2010 (unaudited)

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The interim financial statements of Twin Butte Energy Ltd. (“Twin Butte” or the “Company”) have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2009 except as noted below. The disclosures provided below are incremental to those included in the audited annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company’s audited annual financial statements.

Twin Butte is engaged in the acquisition of, exploration for, and development of petroleum and natural gas properties in Western Canada.

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). As such, the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from the estimates. These financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to the financial statements for the year ended December 31, 2009.

#### Newly Adopted Accounting Policies and Recent Accounting Pronouncements

On January 1, 2010, Twin Butte adopted the following Canadian Institute of Chartered Accountants (“CICA”) Handbook sections:

- i)* The CICA issued Handbook Section 1582 Business Combinations, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. The adoption of this standard will impact the accounting for business combinations entered into after January 1, 2010.
- ii)* Consolidated Financial Statements, Section 1601, which together with Section 1602 below, replaces the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard has not had an impact on Twin Butte’s financial statements.
- iii)* Non-controlling Interests, Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net income (loss) and components of other comprehensive income (loss) are attributed to both the parent and non-controlling interest. The adoption of this standard has not had an impact on Twin Butte’s financial statements.

### NOTE 2. ACQUISITION EXPENDITURES

#### Can-Able Energy Inc.

On July 10, 2009, the Company purchased all the issued and outstanding shares of Can-Able Energy Inc., a private exploration and production company, for total consideration of \$8.1 million, plus assumed bank debt and working capital. The value of the Common Shares issued as consideration was determined based on the weighted average trading value of Twin Butte’s Common Shares during the five day period before and after the terms of the acquisition were agreed to and announced. The purchase was paid for through the issuance of 8.2 million common shares of Twin Butte and was accounted for as a business combination using the purchase method of accounting as follows:

### Net Assets Acquired

	Total
Petroleum and natural gas properties	\$ 8,986,626
Future income tax asset	2,129,021
Net working capital deficiency	(2,548,323)
Asset retirement obligation	(476,624)
<b>Total net assets acquired</b>	<b>\$ 8,090,700</b>

The net working capital deficiency consists of the following:

	Total
Accounts receivable	\$ 126,805
Deposits and prepaid expenses	153,083
Accounts payable and accrued liabilities	(330,754)
Bank indebtedness	(2,497,457)
<b>Net working capital deficiency</b>	<b>\$ (2,548,323)</b>

### Consideration

	Total
Common Shares	\$ 8,006,113
Transaction costs	84,587
<b>Total purchase price</b>	<b>\$ 8,090,700</b>

### Buffalo Resources Corp.

On October 14, 2009, the Company purchased all the issued and outstanding shares of Buffalo Resources Corp., a publicly traded exploration and production company, for total consideration of \$51.5 million, plus assumed bank debt and working capital. In addition, 11,000,000 pre-existing Buffalo Resources Corp. warrants were retained and are convertible to 7,700,000 shares at \$2.14 per share which expire on May 9, 2011 (note 6). The value of the Common Shares issued as consideration was determined based on the weighted average trading value of Twin Butte's Common Shares during the five day period before and after the terms of the acquisition were agreed to and announced. The allocation of the purchase price is subject to further refinement as additional cost estimates and tax balances are finalized. The purchase was paid for through the issuance of 54.4 million common shares of Twin Butte and was accounted for as a business combination using the purchase method of accounting as follows:

### Net Assets Acquired

	Total
Petroleum and natural gas properties	\$ 132,767,511
Future income tax liability	(4,447,751)
Net working capital deficiency & other liabilities	(68,992,513)
Asset retirement obligation	(7,781,200)
<b>Total net assets acquired</b>	<b>\$ 51,546,047</b>

The net working capital deficiency consists of the following:

	Total
Accounts receivable	\$ 2,750,523
Deposits and prepaid expenses	1,316,771
Accounts payable and accrued liabilities	(5,785,540)
Bank indebtedness	(66,478,396)
Other liabilities	(795,871)
<b>Net working capital deficiency</b>	<b>\$ (68,992,513)</b>

### Consideration

	Total
Common Shares	\$ 49,654,153
Warrants	912,408
Transaction costs	979,486
<b>Total purchase price</b>	<b>\$ 51,546,047</b>

### NOTE 3. PROPERTY AND EQUIPMENT

		September 30, 2010	December 31, 2009	
	Cost	Accumulated Net Depletion & Depreciation	Net Book Value	Net Book Value
Petroleum and natural gas properties	\$ 391,546,790	\$ 114,183,296	\$ 277,363,494	\$ 282,449,325
Office and computer equipment	214,178	198,689	15,489	71,243
<b>Total</b>	<b>\$ 391,760,968</b>	<b>\$ 114,381,985</b>	<b>\$ 277,378,983</b>	<b>\$ 282,520,568</b>

The Company has capitalized \$573,000 of general and administrative expenses directly related to exploration and development activities for the three month period ended September 30, 2010 (\$225,000 - September 30, 2009).

The Company has capitalized \$1.5 million of general and administration expenses for the nine month period ended September 30, 2010 (\$0.7 million - September 30, 2009).

The cost of undeveloped property excluded from the depletion base as at September 30, 2010 was \$22,202,949 (\$14,955,920 - September 30, 2009). Future development costs on proved undeveloped reserves of \$48,321,700 as at September 30, 2010 are included in the calculation of depletion (\$40,159,000 - September 30, 2009).

During the nine month period ended September 30, 2010, Twin Butte completed the sale of a combination of non-core properties in Alberta for net proceeds of \$10.4 million. The total net proceeds of \$10.4 million from the sales were credited against the full cost pool of oil and natural gas properties included in property and equipment on the Company's balance sheet. No gain or loss was recognized on these transactions.

### NOTE 4. BANK INDEBTEDNESS

As at September 30, 2010, the Company had a \$120 million demand revolving credit facility with a syndicate of two Canadian chartered banks. The credit facility provides that advances may be made by way of direct advances, bankers' acceptances, or standby letters of credit/guarantees. Interest rates on the demand revolving operating credit facility fluctuate based on the revised pricing grid and range from bank prime plus 0.25% to bank prime plus 2.5%, depending upon the Company's prior quarter debt to cash flow ratio of between less than one times to greater than three times. A debt to cash flow ratio of less than one times has interest payable at the bank's prime lending rate plus 0.25%. A debt to cash flow ratio greater than three times has interest payable at the bank's prime lending rate plus 2.5%. The credit facility is secured by a demand debenture and a general security agreement covering all assets of the Company.

The demand revolving credit facility contains standard commercial covenants for facilities of this nature. The only financial covenant is a requirement for Twin Butte to maintain a current ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. Current ratio is defined as the ratio of (i) current assets, excluding financial derivatives, plus any undrawn availability under the credit facility to (ii) current liabilities, excluding financial derivatives and the drawn portion of the credit facility. The Company is in compliance with its financial covenants.

The facility is a borrowing base facility that is determined based on, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices and the current economic environment. The Company's credit facility was reviewed and approved subsequent to the end of the quarter in October 2010. The Company's next semi-annual credit facility review is scheduled for April 2011.

## NOTE 5. ASSET RETIREMENT OBLIGATION

Asset retirement obligations are based on the Company's net ownership in wells and facilities, and management's estimate of future costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred.

The Company has estimated the present value of its total asset retirement obligation to be \$15,859,656 at September 30, 2010, based on a total future liability of \$32,668,000. Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 2 to 19 years with the majority of the costs to be incurred after 2018. A credit-adjusted risk free rate of eight percent and an inflation rate of two percent were used to calculate the present value of the asset retirement obligation.

Changes to the asset retirement obligation are as follows:

	Nine months ended September 30, 2010	Year Ended December 31, 2009
Asset retirement obligation, beginning of period	\$ 14,855,867	\$ 9,158,775
Liabilities incurred	932,120	239,964
Liabilities settled	(310,788)	(537,013)
Acquisitions	–	8,257,824
Dispositions	(683,658)	(27,560)
Revisions in estimated cash outflows	232,720	(2,915,432)
Accretion of asset retirement obligation	833,395	679,309
Asset retirement obligation, end of period	\$ 15,859,656	\$ 14,855,867

## NOTE 6. SHARE CAPITAL

### Authorized

An unlimited number of voting Common Shares and an unlimited number of Preferred Shares.

### Issued

	Number of Shares	Amount
Common Shares		
Balance, December 31, 2009	109,714,335	\$ 188,005,760
Shares issued pursuant to bought deal equity financing	18,400,000	23,000,000
Shares issued on exercise of stock options	70,000	37,733
Share issue costs net of tax	–	(1,023,116)
<b>Balance, September 30, 2010</b>	<b>128,184,335</b>	<b>\$ 210,020,377</b>

### Issue of Common Shares

On February 2, 2010 the Company closed a bought deal equity financing of 18,400,000 Common Shares at a price of \$1.25 per share, for gross proceeds of \$23,000,000 (\$21,593,767 net of issue costs). During the nine months ended September 30, 2010, 70,000 options were exercised for proceeds of \$37,733.

### Warrants

The Company has 11,000,000 outstanding warrants from the acquisition of Buffalo Resources Corp. (note 2) that are convertible to 7,700,000 Common Shares at a price of \$2.14. The warrants expire on May 9, 2011.



The fair value of each warrant was estimated at the date of the acquisition using the Black-Scholes option pricing model with assumptions and resulting values for each warrant as follows:

Expected volatility	70%
Risk free rate of return	2.0%
Expected warrant life	1.7 years
Dividend yield rate	0.0%
Weighted average fair value of each warrant	\$0.12

### Stock Options

The Company has a stock option plan under which options to purchase Common Shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding Common Shares for issuance to eligible participants. The reserved amount is 12,818,434 (10,971,433 - December 31, 2009). As at September 30, 2010 there were 6,733,500 (4,020,000 - December 31, 2009) Common Shares reserved for issuance under the plan. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant.

The following table sets forth a reconciliation of stock option plan activity through to September 30, 2010:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2009	4,020,000	\$ 0.94
Granted	3,930,500	1.33
Exercised	(70,000)	0.54
Forfeited	(1,147,000)	1.20
<b>Outstanding at September 30, 2010</b>	<b>6,733,500</b>	<b>\$ 1.13</b>

There were 812,333 options exercisable as at September 30, 2010 (411,667 - December 31, 2009) at an average exercise price of \$0.90 per share (\$1.24 - December 31, 2009).

Exercise Price	Options Outstanding					
	September 30, 2010			December 31, 2009		
	Number of Options Outstanding	Weighted Average Exercise Price \$	Weighted Average Years to Expiry	Number of Options Outstanding	Weighted Average Exercise Price \$	Weighted Average Years to Expiry
\$0.42 - 0.91	1,275,000	0.68	3.57	1,630,000	0.66	4.31
\$0.93 - 1.24	1,922,000	1.01	3.58	2,217,000	1.01	4.39
\$1.31 - 1.51	3,486,500	1.34	4.60	-	-	-
\$2.45 - 3.65	50,000	2.45	2.42	173,000	2.67	3.25
	<b>6,733,500</b>	<b>1.12</b>	<b>4.10</b>	<b>4,020,000</b>	<b>0.94</b>	<b>4.31</b>

### Stock Based Compensation

The Company accounts for its stock based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for options granted to employees, consultants, officers, and directors with a corresponding increase to contributed surplus.

The following table reconciles the Company's contributed surplus balance.

	Nine months ended September 30, 2010	Year ended December 31, 2009
Contributed surplus balance, beginning of period	\$ 4,184,787	\$ 2,747,850
Stock based compensation for stock options granted	586,823	379,498
Stock based compensation for stock options cancelled	–	1,218,307
Stock based compensation for stock options forfeited	(95,905)	(160,868)
Stock based compensation for stock options exercised	–	–
Contributed surplus balance, end of period	\$ 4,675,705	\$ 4,184,787

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with assumptions and resulting values for grants as follows:

	Options Granted in Nine months ended September 30, 2010	Options Granted in Year 2009
Expected volatility	70%	70%
Risk free rate of return	2.0%	2.0%
Expected stock option life	3 years	3 years
Dividend yield rate	0.0%	0.0%
Weighted average fair value of stock option grants	\$0.67	\$0.30

#### Income (Loss) Per Share

The following table sets forth the details of the denominator used for the computation of basic and diluted income (loss) per share:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Weighted average number of basic shares	128,184,335	54,553,287	125,994,005	49,630,576
Effect of dilutive securities:				
Employee stock options	–	–	1,212,175	–
	128,184,335	54,553,287	127,206,180	49,630,576

All of the issued stock options were excluded from the calculation of diluted weighted average shares outstanding for the three months ended September 30, 2010 and September 30, 2009, and nine months ended September 30, 2009, as to include them would be anti-dilutive. For the nine months ended September 30, 2010 the fully diluted shares would increase by 1,212,175 based on the weighted average price of \$1.32 per share.

#### NOTE 7. RELATED PARTY TRANSACTIONS

During the three month period ended September 30, 2010, the Company incurred costs totaling \$1.3 million (\$37 thousand – December 31, 2009) for oilfield services rendered by a company in which an officer and director of Twin Butte is a director. These costs were incurred in the normal course of business and recorded at the exchange amount. As at September 30, 2010, the Company had \$1.2 million (nil – December 31, 2009) included in accounts payable and accrued liabilities related to these transactions.

#### NOTE 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, other liabilities, bank indebtedness and risk management assets and liabilities. Risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities and summarized information related to risk management positions are presented as follows:

### Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and other liabilities approximate their carrying amount due to the short-term maturity of those instruments. The fair value of the bank indebtedness approximates its carrying value as it is based on a floating interest rate.

Risk management assets and liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts. The estimated fair value of financial assets and liabilities were as follows:

\$ 000's	As at September 30, 2010		As at December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial Assets</b>				
Risk management assets	\$ 4,859	\$ 4,859	\$ -	-
Accounts receivable	19,685	19,685	20,759	20,759
<b>Financial Liabilities</b>				
Risk management liabilities	\$ 3,847	\$ 3,847	\$ 1,224	\$ 1,224
Accounts payable and accrued liabilities	29,467	29,467	29,713	29,713
Bank indebtedness	68,351	68,351	96,342	96,342
Other liabilities	493	493	796	796

### Risk Management Assets and Liabilities

#### Net Risk Management Position

\$ 000's	September 30, 2010	December 31, 2009
<b>Risk Management</b>		
Current asset	\$ 4,566	\$ -
Long term asset	293	-
Current liability	(1,545)	(1,224)
Long term liability	(2,302)	-
<b>Net Risk Management Asset (Liability)</b>	<b>\$ 1,012</b>	<b>\$ (1,224)</b>

#### Summary of Unrealized Risk Management Positions

\$ 000's	As at September 30, 2010			As at December 31, 2009		
	Asset	Liability	Net	Asset	Liability	Net
<b>Commodity Prices</b>						
Natural gas	\$ 4,859	-	\$ 4,859	-	\$ (231)	\$ (231)
Crude oil	(3,829)	-	(3,829)	-	(850)	(850)
<b>Interest Rate</b>						
Interest rate	-	(18)	(18)	-	(143)	(143)
<b>Total Fair Value</b>	<b>\$ 1,030</b>	<b>\$ (18)</b>	<b>\$ 1,012</b>	<b>\$ -</b>	<b>\$ (1,224)</b>	<b>\$ (1,224)</b>

The net fair value methodologies used to calculate the unrealized risk management positions is the value using quoted prices in the market.

## Net Fair Value of Commodity Price Positions at September 30, 2010

### Crude Oil Sales Price Derivatives

Daily giga-joule ("GJ") quantity	Remaining term of contract	Fixed price per bbl (CAD)	Fixed written call price per bbl (WTI)	Fixed price per bbl (WTI)	Fair market value \$ 000's
100	October 1 to December 31, 2010			US \$75.00	\$ (59)
200	October 1 to December 31, 2010			US \$77.00	\$ (31)
100	October 1 to December 31, 2010			US \$78.00	\$ (78)
200	October 1 to December 31, 2010	\$86.75			\$ 56
200	January 1 to December 31, 2011	\$88.00			\$ 4
750	January 1 to December 31, 2011		US \$95.00		\$ (1,419)
750	January 1 to December 31, 2012		US \$100.00		\$ (2,302)
Crude oil fair value position					\$ (3,829)

As at September 30, 2010 the marked-to-market value of the Company's crude oil sales price derivative was a liability of USD \$3.7 million, or a Canadian dollar equivalent of \$3.8 million.

### Natural Gas Sales Price Derivatives

Daily giga-joule ("GJ") quantity	Remaining term of contract	Fixed price per GJ (AECO Monthly)	Fixed price per GJ (AECO Daily)	Fixed written call price per GJ (AECO Monthly)	Fair market value \$ 000's
1,000	October 1 to December 31, 2010			\$7.20	\$ 0
2,000	October 1 to December 31, 2010		\$5.60		\$ 390
2,000	October 1 to October 31, 2010		\$5.65		\$ 141
3,000	October 1 to December 31, 2010	\$5.90			\$ 670
3,000	January 1, 2011 to December 31, 2011			\$7.00	\$ (13)
4,500	November 1, 2010 to October 31, 2011		\$5.90		\$ 3,671
Natural gas fair value position					\$ 4,859

As at September 30, 2010 the marked-to-market value of the Company's natural gas sales price derivative contracts was an asset of approximately \$4.9 million.

### Fixed/Floating Interest Rate Derivatives

In January 2009, the Company entered into two interest rate swap transactions with the Company's bank. The Company has entered into interest rate swap transactions for \$20.0 million at a fixed rate of 1.18% plus applicable bankers' acceptance stamping fees ranging from 1.75% to 4.00% for the period of January 30, 2009 to January 30, 2010, and \$20.0 million at a fixed rate of 1.45% plus applicable bankers' acceptance stamping fees ranging from 1.75% to 4.00% for the period of January 30, 2009 to January 30, 2011.

As at September 30, 2010 the marked-to-market value of the Company's fixed/floating interest rate derivative contract was a liability of \$18,000.

### Reconciliation of Unrealized Risk Management Positions from January 1 to September 30

\$ 000's	2010	
	Fair Market Value	Total Unrealized Gain (Loss)
Fair value of contracts, beginning of period	\$ (1,224)	\$ -
Change in fair value of contracts in place at beginning of period	(1,436)	(1,436)
Fair value of contracts realized during the period	3,672	3,672
Fair value of contracts, end of period	\$ 1,012	\$ 2,236

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

The Company is involved in legal claims associated with the normal course of operations. The Company has completed an assessment and has not recorded a contingent liability.

**NOTE 10. SUBSEQUENT EVENTS****Crude Oil Sales Price Derivative Contract**

Subsequent to September 30, 2010 the Company entered into the following crude oil sale price derivative:

Daily barrel (bbl) quantity	Term of contract	Fixed Price per bbl (WTI) Cdn
200	January 1, 2011 to December 31, 2011	\$89.40

and

Daily giga-joule ("GJ") quantity	Daily barrel ("bbl") quantity	Term of contract	Fixed price per GJ (AECO Monthly)	Fixed written call price per barrel (WTI)
1,500		December 1, 2010 to October 31, 2011	\$5.90	
	250	January 1, 2011 to December 31, 2011		US \$95.00
	250	January 1, 2012 to December 31, 2012		US \$100.00

## Corporate Information

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### OFFICERS

Jim Saunders  
*President and Chief Executive Officer*

Bob Bowman  
*Vice President, Operations*

Neil Cathcart  
*Vice President, Exploration*

Mike Fabi  
*Vice President, Engineering*

Bruce W. Hall  
*Vice President, Corporate Development*

Colin Ogilvy  
*Vice President, Land*

R. Alan Steele  
*Vice President, Finance & CFO*

### BOARD OF DIRECTORS

David Fitzpatrick<sup>(1) (3)</sup>  
*Chairman of the Board*

Jim Brown<sup>(1) (2)</sup>

Jim Saunders

A. Murray Sinclair<sup>(3)</sup>

Warren Steckley<sup>(1) (2) (3)</sup>

William A. (Bill) Tricket<sup>(2)</sup>

Member of:

<sup>(1)</sup> Audit Committee

<sup>(2)</sup> Reserves Committee

<sup>(3)</sup> Compensation, Nominating and Governance Committee

### HEAD OFFICE

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### AUDITORS

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Chartered Accountants, Calgary, AB

### BANKERS

National Bank of Canada, Calgary, AB  
ATB Financial, Calgary AB

### SOLICITORS

Burnet, Duckworth & Palmer LLP,  
Calgary, AB

### ENGINEERS

McDaniel & Associates Consultants Ltd. Calgary, AB

### REGISTRAR & TRANSFER AGENT

Valiant Trust Company  
Calgary, AB

### STOCK EXCHANGE LISTING

TSX  
Trading Symbol "TBE"



Twin Butte Energy Ltd.