

**FORM 51-101F3**  
**Material Change Report**

Item 1      Reporting Issuer

Brownstone Energy Inc. (the “Company” or “Brownstone”)  
130 King Street West, Suite 2500  
Toronto, ON M5X 1A9

Item 2      Date of Material Change

A material change took place on January 16, 2012.

Item 3      Press Release

A press release describing the material change was disseminated by Marketwire on January 16, 2012.

Item 4      Summary of Material Change

On January 16, 2012, Brownstone announced an oil discovery in the Upper Mirador Formation at the Mani-1 well on the Llanos 27 Block in Colombia.

Item 5      Full Description of Material Change

On January 16, 2012, Brownstone announced that it had been advised by its joint venture partners that there was an oil discovery in the Upper Mirador Formation at the Mani-1 well on the Llanos 27 Block, located in the Llanos Basin of Colombia.

Mani-1 is the first well to be drilled in the Llanos 27 exploration drilling program. The well began drilling on October 21, 2011, and finished drilling at a final total depth of 10,850 feet on December 11, 2011. Completion and testing operations commenced on December 12, 2011. Open hole well logs indicated that the key prospective formation was the Upper Mirador at 9,480 feet. Due to a failure with the liner hanger, it was necessary to conduct two remedial cement jobs to ensure proper isolation of the Mirador formation. Following this, the Upper Mirador formation was perforated at the 9,482-9,486 foot interval on January 09, 2012. ESP equipment was set and run at 9,041 feet to test the well and was turned on January 11, 2012.

Initial production rates from the test were 1,510 barrels per day (“bbl/d”) of fluids, with a 32% watercut, equating to approximately 1,025 bbl/d of 14 degree API oil. During the course of the following 57 hour test, fluid and oil production rates improved to 2,310 bbl/d of fluids and a 16% watercut, equating to approximately 1,940 bbl/d of 16 degree API oil. These test results are preliminary and are not necessarily an indication of the longer-term potential of the well or of ultimate recovery. Additional tests will be performed once the well can be placed on an extended test.

***57 Hour Test Summary***

Accumulated gross oil: 2,812 barrels  
Accumulated water: 898 barrels  
Total fluids: 3,710 barrels

The well was shut-in on January 14, 2012, due to storage capacity and will remain suspended while the application is made to the Ministry of Mines in Colombia to put the well on an extended test. This application approval is expected to take up to four weeks, at which time the well can be put back on production and oil from the extended test sold to market.

Brownstone has a 34.25% private participating interest in the Llanos 27 Block. It is currently required to pay 50% of the costs incurred during the exploration and production phases of the block and is entitled to receive 45.275% of net production revenue until all of the Company's costs are recovered, following which its share of costs and entitlement to net production revenue will revert to 34.25%. NCT EG Energy Group Colombia is the official operator of the block.

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

This material change report is not being filed on a confidential basis.

Item 7 Omitted Information

No information has been omitted from this material change report on the basis that it is confidential.

Item 8 Executive Officer

Richard Patricio, Vice President, Corporate and Legal Affairs of the Company (416.643.7630), is knowledgeable about this material change report and the matters described herein.

Item 9 Date of Report

Dated this 16<sup>th</sup> day of January, 2012.