

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 March 11, 2011.

Item 3 Press Release

A press release describing the material change was disseminated by Marketwire on March 11, 2011.

Item 4 Summary of Material Change

On March 11, 2011, Brownstone’s underwritten private placement closed (subject to final acceptance of the TSX Venture Exchange), resulting in gross proceeds of \$28,750,000 to the Company.

Item 5 Full Description of Material Change

On March 11, 2011, Brownstone completed an underwritten private placement (the “Offering”), which raised gross proceeds of \$28,750,000 through the sale of 30,263,158 units (which included the units sold pursuant to the exercise in full of the underwriters’ over-allotment option), at a price of \$0.95 per unit. Each unit was comprised of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share of Brownstone at a price of \$1.25 per share, until expiry on September 11, 2012, subject to accelerated expiry, at the Company’s option, if, at any time following July 11, 2011, the closing price of Brownstone’s common shares on the TSX Venture Exchange is at least \$1.75 over a period of 20 consecutive trading days.

The Offering was conducted through a syndicate of underwriters led by Jennings Capital Inc. and Dundee Securities Ltd. as co-lead underwriters, and including Clarus Securities Inc., Fraser Mackenzie Limited, PI Financial Corp. and All Group Financial Services Inc. As consideration for their services, Brownstone paid to the underwriters a cash commission equal to 6% of the gross proceeds raised under the Offering and issued to them an aggregate of 1,815,789 broker warrants (equal to 6% of the total number of units sold under the placement), each broker warrant entitling the holder to acquire one common share of the company, on the same terms and subject to the same conditions as the warrants comprising the units.

PowerOne Capital Markets Limited, which acted as financial advisor to the company in connection with the Offering, received a cash commission equal to

1% of the gross proceeds raised under the placement and an aggregate of 302,632 broker warrants.

All of the securities issued in connection with the Offering (including common shares underlying the warrants and broker warrants) are subject to a hold period expiring on July 12, 2011.

The net proceeds of the Offering will be used to fund the Company's exploration and development programs in Colombia and off-shore Israel, to repay outstanding indebtedness and for working capital and general corporate purposes.

The Offering constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* – insofar as certain insiders of Brownstone (the "Participating Insiders") purchased units under the Offering. Pinetree Resource Partnership, an insider by virtue of holding more than 10% of the outstanding common shares of Brownstone, purchased 675,000 units. Sheldon Inwentash, the Chief Executive Officer of Brownstone, acquired 740,000 units. Gerry Feldman, the Company's Chief Financial Officer, acquired 100,000 units. Richard Patricio, the Vice President, Corporate and Legal Affairs of Brownstone acquired 94,000 units. The spouse of Jonathan Schroeder, the President and Chief Operating Officer of Brownstone, acquired 50,000 units, and Kevin O'Connor, a director of Brownstone, acquired 10,000 units.

Upon completion of the Offering, there was no material change in the percentage of Brownstone's securities beneficially owned or controlled by any of the Participating Insiders, except: (a) at closing, Pinetree Resource Partnership owned common shares and securities convertible into common shares representing approximately 10.35% of the outstanding common shares, on a partly diluted basis assuming exercise of the convertible securities, as compared to 12.67% immediately prior to closing; and (b) at closing, Sheldon Inwentash owned or controlled common shares and securities convertible or exercisable into common shares representing approximately 15.86% of the outstanding common shares, on a partly diluted basis assuming exercise of the convertible securities, as compared to 18.75% immediately prior to closing. Mr. Inwentash's holdings include those of Pinetree Resource Partnership over which he is considered to have control or direction.

The board of directors of Brownstone considered and approved the Offering unanimously.

The Offering was exempt from the formal valuation and minority approval requirements of Multilateral Instrument 61-101 on the basis of the exemptions contained sections 5.5(a) and 5.7(a) of the Instrument, being that, at the time the Offering was agreed to, insofar as it involved the Participated Insiders, neither the fair market value of the units nor of the consideration for the units, exceeded 25% of Brownstone's market capitalization.

This material change report is not being filed at least 21 days prior to closing as material information concerning the Offering was not then known by the company.

Item 6 Reliance on subsection 7.1(2) 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 (416.941.1071), is knowledgeable about the Acquisition.

Item 9 Date of Report

Dated this 16th day of March, 2011.