

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

**1. Name and Address of Company**

Canoel International Energy Ltd. (the “Company” or “Canoel”)  
15<sup>th</sup> Floor, Bankers Court  
850 – 2<sup>nd</sup> Street SW  
Calgary, AB T2P 0R8

**2. Date of Material Change**

August 30, 2011

**3. News Release**

A news release was issued by the Company on August 30, 2011  
Method of Dissemination: Marketwire

**4. Summary of Material Change**

On August 30, 2011 the Company announced that it was awarded two natural gas licences for properties in the Puglia and Basilicata Regions of Italy.

**5. Full Description of Material Change**

The Company announced that the Italian “Ministero per lo Sviluppo Economico” (the ministry responsible for economic and industrial activities) has confirmed in writing that the Company’s application for two natural gas properties has been successful.

In August 2009 the Italian Government had opened an invitation for bidding on properties previously owned and operated by Eni, the Italian multinational oil and gas major. A data room was opened and all the companies interested in the bidding process were asked to prepare a technical proposal to improve production from the licences. Canoel participated in the bidding process for two properties and was later selected as one of the finalists for both, as announced in a previous press release.

The two natural gas properties are in proximity to each other and are located in southern Italy, an area which is currently producing most of Italian hydrocarbons. The first property, named “Torrente Vulgano” is located in the Puglia Region, while the second one, named “Canaldente”, is located in the Basilicata Region. Both properties are already connected to the Italian national gas distribution grid; there is no need to install new gas pipelines.

The Torrente Vulgano and Canaldente properties were previously produced by Eni.

Before the agreement to return the field to the Authorities, in the last 4 years of production (1997-2000), the Torrente Vulgano property was producing an average of 7.900 Standard Cubic meters per day (=278,949 Scfd, Standard Cubic feet per day, using a conversion rate of 1 Scm = 35.31 Scf)

Furthermore, Canoel anticipates that production will commence approximately 9 months from today, as Canoel will have to comply with some Italian regulatory obligations before field start-up.

There are no assurances that production of the Torrente Vulgano and Canaldente properties will be at the same levels that they were previously producing.

Canoel will disclose all reserves data for these two licences, one this data has been translated into documentation in compliance with applicable securities regulations.

At the end of production, the Canaldente reservoir appears to be a good candidate for gas storage.

Gas prices in Italy are substantially higher than in North America, with natural gas currently selling at approximately CAD\$12 per 1000 cubic feet ("**Mcf**") (approximately €8.46Mcf, at an exchange rate of 0.7047 (using nominal rate)).

Mr. Andrea Cattaneo, Canoel's President and CEO, stated "[w]ith Canoel's management expertise, understanding of the producing environment in Italy and with our low overhead, we believe we will be able to increase production and generate robust cash flow from these two properties. They are going to be a key cornerstone in the Company's strategy as it aims to substantially increase its oil and gas production by the end of 2012. With these two properties Canoel expects to start producing gas for the industrial and retail markets in Europe for the first time, while producing already crude oil in Latin America since 2010."

#### Forward Looking Cautionary Statement

Certain information in this material change report is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target" and "expect" or similar words suggest future outcomes. By their nature, such statements are subject to significant risks, assumptions and uncertainties, which could cause the Company's actual results and experience to be materially different than the anticipated results. In particular, forward-looking information and statements include, but are not limited to: (i) the capital expenditures required in order to re-commence production on both the Torrente Vulgano and Canaldente properties; (ii) the ability of the Company to re-commence production within 9 months following the issuance of the licences; (iii) the price of natural gas in Italy; (iv) the ability of the Company to comply with certain regulatory requirements; (v) anticipated capital expenditures required to re-commence production; (vi) the Company's low overhead costs; (vii) the Company's ability substantially increase its oil and gas production by the end of 2012; (viii) the Company's ability to produce gas for industrial and retail markets in Europe.

These statements are based on certain assumptions and analysis made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include, but are not limited to: (i) assumptions related to international natural gas prices; (ii) ability to obtain regulatory approvals; (iii) costs of construction and development; (iv) availability and cost of labour and management resources; (v) performance of contractors and suppliers; (vi) availability and cost of financing; (vii) assumption the Company will continue to focus its activities through low-risk exploration and production opportunities offering logistical and proximate locations to refineries and pipelines and gas ducts; and (viii) the Company's business strategy and outlook.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Company's expectations. Such risks and uncertainties include, but are not limited to, risks and uncertainties relating to: (i) political and economic conditions in the countries in which the Company operates or may operate; (ii) fluctuations in foreign exchange rates and natural gas prices; (iii) the Company's ability to access external sources of debt and equity capital; (iv) failure to obtain any required regulatory approvals; (v) regulatory and governmental decisions including changes to environmental legislation; and (vi) availability and cost of labour, equipment and management of resources.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, the Company disclaims any intention and assumes no obligation to update any forward-looking statement.

**6. Reliance on subsection 7.1(2) of National Instrument 51-102**

This report is not being filed on a confidential basis.

**7. Omitted Information**

No information has been omitted from the Report on the basis that it is confidential information.

**8. Executive Officer**

For further information regarding this Material Change Report please contact:

Andrea Cattaneo  
Chief Executive Officer and President  
Telephone: (403) 829-1160

**9. Date of Report**

September 2, 2011