

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF MADALENA ENERGY INC.

to be held Tuesday, May 26, 2015 at 10:00 a.m. (Calgary Time)

April 22, 2014

NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD
ON TUESDAY, MAY 26, 2015

TO THE SHAREHOLDERS OF MADALENA ENERGY INC.

Notice is hereby given that the annual and special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares ("**Common Shares**") of Madalena Energy Inc. (the "**Corporation**" or "**Madalena**") will be held in the Viking Room at the Calgary Petroleum Club located at 319 - 5 Avenue SW, Calgary, Alberta T2P 0L6 on Tuesday, May 26, 2015 at 10:00 a.m. (Calgary Time) for the following purposes:

(a) to receive the financial statements of the Corporation for the year ended December 31, 2014 and the auditor's report thereon;

(b) to fix the number of directors to be elected at the Meeting at eight (8);

(c) to elect directors of the Corporation for the ensuing year;

(d) to appoint KPMG LLP as the auditor of the Corporation for the ensuing year and to authorize the directors to fix the auditor's remuneration as such;

(e) to consider and if deemed appropriate, pass an ordinary resolution re-approving the Corporation's stock option plan;

(f) to consider and if deemed appropriate, pass an ordinary resolution approving the Corporation's advance notice by-law;

(g) to consider and if deemed appropriate, pass an ordinary resolution re-approving the Corporation's shareholder rights plan; and

(h) to transact such further and other business as may be properly brought before the Meeting or any adjournment thereof.

The nature of the business to be transacted at the Meeting is described in further detail in the accompanying Information Circular.

The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is April 22, 2015 (the "**Record Date**"). Shareholders whose names have been entered in the register of Shareholders at the close of business on that date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a Shareholder transfers the ownership of any of such Shareholder's Common Shares after such date and the transferee of such shares establishes that the transferee owns such shares and requests, not later than ten (10) days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote such shares at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the enclosed

proxy must be mailed so as to reach or be deposited with the Proxy Department, Alliance Trust Company, 1010, 407 – 2 Street SW, Calgary, Alberta T2P 2Y3 (facsimile: (403) 237-6181, online at www.alliancetrust.ca) not less than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment thereof. Shareholders are cautioned that the use of mail to transmit proxies is at each shareholder's risk.

The instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a company, under its corporate seal by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors and/or officers of Madalena. Each Shareholder has the right to appoint a proxyholder other than such persons, who need not be a Shareholder, to attend and to act for such Shareholder and on such Shareholder's behalf at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the Shareholder's appointee should be legibly printed in the blank space provided.

In the event of a strike, lockout or other work stoppage involving postal employees, all documents required to be delivered by a Shareholder should be delivered by facsimile to Alliance Trust Company at (403) 237-6181.

DATED at Calgary, Alberta this 22nd day of April, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) *"Steven Sharpe"*
Chairman of the Board of Directors

MANAGEMENT PROXY CIRCULAR
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON TUESDAY, MAY 26, 2015

Solicitation of Proxies

This information circular - proxy statement ("**Information Circular**") is furnished in connection with the solicitation of proxies by or on behalf of the management of Madalena Energy Inc. ("**Madalena**" or the "**Corporation**") for use at the annual and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held in the Viking Room at the Calgary Petroleum Club located at 319 - 5 Avenue SW, Calgary, Alberta T2P 0L6 on Tuesday, May 26, 2015 at 10:00 a.m. (Calgary Time), and any adjournment thereof for the purposes set forth in the accompanying Notice of Meeting. Only Shareholders of record on Wednesday, April 22, 2015, are entitled to notice of, to attend and to vote at the Meeting, unless a Shareholder has transferred any Common Shares subsequent to that date and the transferee Shareholder, not later than ten (10) days before the Meeting, establishes ownership of such shares and demands that the transferee's name be included on the list of Shareholders.

The instrument appointing a proxy must be in writing and must be executed by the Shareholder or its attorney authorized in writing or, if the Shareholder is a company, under its corporate seal or by a duly authorized officer or attorney of the company.

The persons named in the enclosed instrument of proxy are directors and/or officers of the Corporation. A Shareholder submitting a proxy has the right to appoint a person (who need not be a Shareholder) to represent you at the Meeting other than the person or persons designated in the instrument of proxy furnished by the Corporation. To exercise this right a Shareholder should insert the name of the desired representative in the blank space provided in the instrument of proxy and strike out the other names or submit another appropriate proxy. In order to be effective, the proxy must be mailed so as to be deposited at the office of the Corporation's transfer agent, Alliance Trust Company, 1010, 407 – 2 Street SW, Calgary, Alberta T2P 2Y3 (facsimile: (403) 237-6181, online at www.alliancetrust.ca) not less than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution.

Advice to Beneficial Holders

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of the Shareholders do not hold Common Shares in their own names. Shareholders who do not hold their Common Shares in their names ("**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depositary for Securities Limited, which acts as nominees for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting Common Shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held. Therefore,

Beneficial Shareholders cannot be recognized at the Meeting for the purposes of voting the Common Shares in person or by way of proxy except as set forth below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Investor Communication Services) ("**Broadridge**") in the United States and Canada. Broadridge typically applies a special sticker to proxy forms, mails those forms to the Beneficial Shareholders and requests the Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Revocability of Proxy

A Shareholder may revoke its proxy at any time prior to a vote. If a Shareholder, or the person such Shareholder gives its proxy, attend personally at the Meeting, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by a Shareholder or its attorney authorized in writing or, if it is a company, under its corporate seal or by a duly authorized officer or attorney of the company. To be effective the instrument in writing must be deposited at the head office of the Corporation at 3200, 500 – 4th Avenue SW, Calgary, Alberta T2P 2V6, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

Persons Making the Solicitation

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

Exercise of Discretion by Proxy

The Common Shares represented by proxy in favour of management nominees will be voted on any poll at the Meeting. Where you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted on any poll in accordance with the specification so made. **If a Shareholder does not provide instructions, its Common Shares will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy that the Corporation has furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular, management of the Corporation knows of no such amendment, variation or other matter.**

MATTERS TO BE ACTED UPON AT THE MEETING

Presentation of Financial Statements

At the Meeting, the consolidated financial statements of the Corporation for the fiscal year ended December 31, 2014 and the auditor's report on such statements will be placed before the Shareholders.

Election of Directors

It is proposed that the board of directors of the Corporation (the "**Board**" or the "**Board of Directors**") will be fixed at eight (8) members and Shareholders will be asked to elect the proposed directors set forth below to hold office until the next annual meeting or until their successors are elected or appointed.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of the election as directors of the nominees hereinafter set forth to hold office until the next annual meeting or until their successors are elected or appointed:

Gus Halas
Barry Larson
Keith Macdonald
Jay Reid
Steven Sharpe
Kevin Shaw
Ray Smith
Ving Woo

The names and places of residence of the persons nominated as directors, the number of Common Shares beneficially owned, directly or indirectly, or over which each exercises control or direction, the period served as director and the principal occupation during the last five years of each are as follows:

Name and Country and Province of Residence	Number of Common Shares Beneficially Owned or Controlled, Directly or Indirectly	Director Since	Principal Occupation For Preceding Five Years
Gus Halas California, United States Director[(1)(2)(4)]	Nil	January 26, 2015	Mr. Halas was Chief Executive Officer and President of Central Garden & Pet Company from April 2011 through May 2013; prior thereto, Mr. Halas was the President and Chief Executive Officer of T-3 Energy Services Inc. from May 2003 until March 2009 and served as Chairman of the Board from 2004 until March 2009 and as a director from May 2003 until March 2009.
Barry Larson Alberta, Canada Director[(3)]	250,000	July 21, 2010	Vice President, Operations and Chief Operating Officer of Parex Resources Inc. since September, 2009. Prior thereto, Vice President Operations and Chief Operating Officer of Petro Andina Resources Inc. from February, 2005 to September, 2009.

Name and Country and Province of Residence	Number of Common Shares Beneficially Owned or Controlled, Directly or Indirectly	Director Since	Principal Occupation For Preceding Five Years
Keith Macdonald Alberta, Canada Director[(1)(2)]	540,000	June 22, 2010	President of Bamako Investment Management Ltd., a private holding and financial consulting company, since July 1994. Chief Executive Officer and a director of EFLO Energy Inc. from March, 2011 to January, 2015. Currently a director of Surge Energy Inc., Bellatrix Exploration Ltd. and Mountainview Energy Ltd.
Jay Reid Alberta, Canada Director Nominee[(5)]	250,000	N/A	Partner at the Calgary based law firm of Burnet, Duckworth & Palmer LLP and has practiced corporate and securities law since 1990. Corporate Secretary of a number of publicly listed issuers, including Advantage Oil & Gas Ltd., Gear Energy Ltd. and Pinecrest Energy Inc. and Corporate Secretary for various private issuers.
Steven Sharpe Toronto, Canada Director / Chairman[(1)(2)(7)]	20,000	September 23, 2014	Currently Chairman of the Board; Managing Director of The EmBeSa Corporation since August, 2007; Chairman and director of Longview Oil Corp. from April, 2010 to June 2014; Director of Renegade Petroleum Ltd. from April 26, 2013 to January 26, 2014; Chairman of Advantage Oil & Gas Ltd. from May 26, 2004 to January 2014 and director of Advantage Oil & Gas Ltd. from May 24, 2001 to January 2014; Chairman of Prime Restaurants Inc. from April, 2010 to January, 2012; director of C.A. Bancorp. Inc. from December, 2011 to March 2013 and CEO of C.A. Bancorp. Inc. from November 2012 to March, 2013; Chairman and Chief Executive Officer of Prime Restaurants Royalty Income Fund from October, 2009 to March, 2010; Senior Advisor to Blair Franklin Capital Partners, Inc., a Toronto-based investment bank which he co-founded in May, 2003, from August, 2007 to July, 2009.
Kevin Shaw Alberta, Canada Director / President / Chief Executive Officer	700,000	November 27, 2012	President and Chief Executive Officer of Madalena since November, 2012. Prior thereto, Managing Director & Head of Global Energy Research at a boutique investment bank from August 2011 to November 2012. Prior thereto, Senior Oil & Gas Research Analyst and Partner at Wellington West Capital Markets from 2009 to July 2011 prior to Wellington's sale to National Bank Financial.
Ray Smith Alberta, Canada Director [(3)(6)]	4,996,500	October 12, 2005	President and Chief Executive Officer of Bellatrix Exploration Ltd. since November 1, 2009. Prior thereto, President and Chief Executive Officer of True Energy Inc. (as

Name and Country and Province of Residence	Number of Common Shares Beneficially Owned or Controlled, Directly or Indirectly	Director Since	Principal Occupation For Preceding Five Years
			administrator of True Energy Trust), from January, 2009 to November, 2009. Prior thereto, President and Chief Executive Officer of Cork Exploration Inc. from June, 2007 to November, 2007 and Chairman of Cork Exploration Inc. from April, 2005 to November, 2007.
Ving Woo Alberta, Canada Director(3)	1,550,000	March 10, 2006	Independent Businessman. Vice-President and Chief Operating Officer of Bellatrix Exploration Ltd. from October, 2010 to September, 2014; prior thereto Vice President, Operations of Bellatrix Exploration Ltd. from November, 2009 to October, 2010.

Notes:
(1) Member of the Audit Committee of the Board (the "**Audit Committee**").
(2) Member of the Compensation and Corporate Governance Committee of the Board (the "**Compensation Committee**").
(3) Member of the Reserves Evaluation Committee of the Board (the "**Reserves Committee**").
(4) Mr. Gus Halas was appointed as a director of the Corporation on January 26, 2015.
(5) Mr. Jay Reid was previously a director of the Corporation from February 2, 2009 to January 26, 2015.
(6) Mr. Ray Smith resigned as Chairman of the Board on January 26, 2015.
(7) Mr. Steven Sharpe was appointed Chairman of the Board on January 26, 2015.

As at the date hereof, the directors and officers of the Corporation, as a group, beneficially own or control, directly or indirectly, an aggregate of 8,791,500 Common Shares or approximately 1.6% of the issued and outstanding Common Shares.

The information as to shares beneficially owned or controlled, directly or indirectly, is based upon information furnished to the Corporation by the directors. Each of the proposed directors was elected to his present term of office by a vote of the Shareholders at a meeting of Shareholders, the notice of which was accompanied by an information circular.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, no proposed director, is as at the date hereof, or has been:

(a) within 10 years of the date hereof, a director or Chief Executive Officer or Chief Financial Officer of any company, including the Corporation, that:

(i) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days;

(ii) was subject to an order that resulted, after the director or officer ceased to be a director, Chief Executive Officer or Chief Financial Officer of the company being the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and which resulted from an event that occurred while that person was acting in the capacity as a director, Chief Executive Officer or Chief Financial Officer; or

(iii) has, within 10 years before the date of this Information Circular become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or

(b) within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or

(c) within the 10 years before the date of this Information Circular subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

On October 14, 2011, the Alberta Securities Commission (the "**ASC**") issued a decision imposing sanction and costs orders against Stephen Kapusta, the current Head of Engineering of Corporation (the "**Decision**"), who was found by the ASC to have engaged in illegal insider trading of shares of Canext Energy Ltd. while acting as its president and chief executive officer. The sanction orders made in the Decision included a three-year prohibition on trading in or purchasing securities or exchange contracts and on acting as a director or officer (apart from an exception for family-owned non-reporting issuers), a $228,000 administrative penalty and costs of $16,500.

Voting Shares and Principal Shareholders

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without nominal or par value. As at the date hereof, there are 540,565,601 Common Shares issued and outstanding.

To the best of the Corporation's knowledge and based on existing information, as at the date hereof, other than as set out below, there are no persons who own or exercise control or direction over, directly or indirectly, more than 10% of the outstanding Common Shares:

Shareholder	*Number of Common Shares*	*Percentage of Issued and Outstanding Common Shares*
Maglan Capital LP	72,137,900	13.3%
Wellington Management Group LLP	60,818,870	11.3%

Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to appoint the firm of KPMG LLP, Chartered Accountants, Calgary, Alberta ("**KPMG**"), to serve as auditor of the Corporation until the next annual meeting of Shareholders and to authorize the directors to fix their remuneration as such. KPMG has been the Corporation's auditor since November 3, 2006.

Approval of Stock Option Plan

The policies of the TSX Venture Exchange ("**TSXV**") require the Corporation to obtain Shareholder approval of the Corporation's stock option plan (the "**Option Plan**") on an annual basis. Accordingly, at the Meeting, Shareholders will be asked to consider and, if deemed advisable, ratify and approve the Option Plan, a copy of which is attached hereto as Schedule A.

The Option Plan includes the following characteristics:

1. the total number of Common Shares issuable pursuant to the Option Plan shall not exceed 10% of the aggregate of the issued and outstanding Common Shares on the date of grant;

2. the number of Common Shares reserved for issuance pursuant to the exercise of options ("**Options**"), within a one-year period, to any one optionee shall not exceed 5% of the number of issued and outstanding Common Shares;

3. the maximum number of Common Shares reserved for issuance pursuant to exercise of Options granted to insiders at any time may not exceed 10% of the number of issued and outstanding Common Shares;

4. the maximum number of Common Shares which may be issued to insiders, within a one-year period, may not exceed 10% of the number of issued and outstanding Common Shares;

5. the maximum number of Common Shares which may be issued to any one insider and the associates of such insider, within a one-year period, may not exceed 5% of the number of issued and outstanding Common Shares; and

6. the exercise price of any Option subject to the Option Plan shall not be less than the current market price of the Common Shares, which shall mean the most recent closing price per share for Common Shares on the last trading day preceding the date of grant on which there was a closing price on the TSXV (or if the Common Shares are not listed on the TSXV, on such stock exchange as the Common Shares are then traded).

The Option Plan was last approved by Shareholders at the Corporation's last annual and special meeting held on July 30, 2014.

At the Meeting, the following ordinary resolution, with or without variation, relating to the approval of the Option Plan will be placed before the Shareholders:

"BE IT RESOLVED, as an ordinary resolution of the Shareholders, that:

1. the stock option plan of the Corporation is hereby authorized and approved; and

2. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection therewith."

In order to be passed, the foregoing resolution must be approved by the affirmative vote of a simple majority of the votes cast by the Shareholders who vote in person or by proxy at the Meeting. **The persons named in the accompanying Instrument of Proxy intend, unless otherwise directed, to vote in favour of the resolution approving the Option Plan.**

As at the date hereof, the following activity in the Option Plan has taken place:

Total Options approved	54,056,560
Options issued	54,385,000
Options exercised	(10,646,666)
Options expired	(6,393,334)
Options canceled	(13,347,500)
Total Options currently issued and outstanding	23,997,500
Options available for future grant	30,059,060

There are currently Options issued to acquire an aggregate of 23,997,500 Common Shares representing approximately 4.4% of the Corporation's currently issued and outstanding Common Shares.

Approval of Advance Notice By-law

On December 14, 2015, the Board approved the adoption by the Corporation of a by-law regarding advance notice of nominations of directors of the Corporation (the "**Advance Notice By-law**"). A copy of the Advance Notice By-law is attached to this Information Circular as Schedule B.

The purpose of the Advance Notice By-law is to provide Shareholders, the Board and management of the Corporation with a clear framework for nominating directors to help ensure orderly business at Shareholder meetings. Among other things, the Advance Notice By-law fixes a deadline by which Shareholders must submit director nominations to the Corporation prior to any annual or special meeting of Shareholders. It also specifies the information that a nominating Shareholder must include in the notice to the Corporation for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of Shareholders of the Corporation.

The Corporation is committed to:

(a) facilitating an orderly and efficient annual general or, where the need arises, special meeting process;

(b) ensuring that all Shareholders receive adequate notice of director nominations and sufficient information in advance of an annual general or special meeting with respect to all director nominees; and

(c) allowing Shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

Summary of Terms of the Advance Notice By-law

The Advance Notice By-law provides that advance notice to the Corporation must be made in circumstances where nominations of persons for election to the Board are made by Shareholders other than pursuant to: (a) a proposal made in accordance with the *Business Corporations Act* (Alberta) (the "**ABCA**"); (b) a requisition of a meeting made pursuant to the ABCA; or (c) by any person (a "**Nominating Shareholder**") who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for in the Advance Notice By-law and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (ii) complies with the notice procedures set forth in the Advance Notice By-law.

The Advance Notice By-law fixes a deadline by which Shareholders must submit director nominations to the Corporate Secretary of the Corporation prior to any annual or special meeting of Shareholders of the Corporation and outlines the specific information that a nominating Shareholder must include in the written notice to the Corporate Secretary of the Corporation for an effective nomination to occur. No person nominated by a Shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice By-law.

In the case of an annual meeting of Shareholders, notice to the Corporate Secretary of the Corporation must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of Shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), notice to the Corporation must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

Confirmation and Approval of Advance Notice By-law by Shareholders

In accordance with the ABCA, the Advance Notice By-law is in effect until it is confirmed, confirmed as amended or rejected by Shareholders at the Meeting, and if confirmed or confirmed as amended, the Advance Notice By-law will continue in effect in the form in which it is so confirmed. If Shareholders reject the confirmation of the Advance Notice By-law at the Meeting, it will thereafter cease to have effect. For greater certainty, the Corporation's existing by-laws are not impacted by the Advance Notice By-law and will continue in effect, unamended.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, approve the following by ordinary resolution to approve the adoption by Madalena of the Advance Notice By-law (the "**Advance Notice By-law Resolution**"):

"BE IT RESOLVED, as an ordinary resolution of the Shareholders, that:

1. the Advance Notice By-law, in the form attached as Schedule B to the Information Circular, is hereby adopted and confirmed as a by-law of the Corporation;

2. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection therewith."

In order for the Advance Notice By-law Resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote in person or by proxy at the Meeting. Unless otherwise directed, it is the intention of management to vote proxies in favour of the ordinary resolution approving the Advance Notice By-law.

Approval of Shareholder Rights Plan

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, ratify and re-approve the Corporation's shareholder rights plan (the "**Rights Plan**"), a copy of which is available on the Corporation's SEDAR profile at www.sedar.com. Pursuant to the Rights Plan, the Corporation is required to obtain Shareholder approval of the Rights Plan every three (3) years. The Rights Plan was last approved by Shareholders at the Corporation's annual and special meeting held on June 14, 2012.

Objectives of the Rights Plan

The fundamental objectives of the Rights Plan are to provide adequate time for the Board and Shareholders to assess an unsolicited take-over bid for Madalena, to provide the Board with sufficient time to explore and develop alternatives for maximizing Shareholder value if a take-over bid is made, and to provide Shareholders with an equal opportunity to participate in a take-over bid.

The Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "**Permitted Bid**" (described below), which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of Common Shares, other than the acquiror, will be able to purchase additional Common Shares at a significant discount to market, thus exposing the person acquiring Common Shares to substantial dilution of its holdings.

Currently, the Board is not aware of any pending or threatened take-over bid for Madalena.

In adopting the Rights Plan, the Board considered the existing legislative framework governing take-over bids in Canada. The Board believe such legislation currently does not provide sufficient time to permit Shareholders to consider a take-over bid and make a reasoned and unhurried decision with respect to a take-over bid or give the Board sufficient time to develop alternatives for maximizing Shareholder value. Shareholders also may feel compelled to tender to a take-over bid even if the Shareholder considers such bid to be inadequate out of a concern

that failing to tender may result in a Shareholder being left with illiquid or minority-discounted Common Shares. This is particularly so in the case of a partial bid for less than all the Common Shares where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. Finally, while existing securities legislation has addressed many concerns related to unequal treatment of securityholders, there remains the possibility that control of an issuer may be acquired pursuant to private agreements in which a small group of securityholders disposes of securities at a premium to market price, which premium is not shared with the other securityholders.

It is not the intention of the Board in recommending the approval of the Rights Plan to either secure the continuance of the Board or management of Madalena or to preclude a take-over bid for control of Madalena. The Rights Plan provides that Shareholders could tender to take-over bids as long as they meet the Permitted Bid criteria. Furthermore, even in the context of a take-over bid that does not meet the Permitted Bid criteria, the Board is always bound by its fiduciary duty to consider any take-over bid for Madalena and consider whether or not they should waive the application of the Rights Plan in respect of such bid. In discharging such responsibility, the Board will be obligated to act honestly and in good faith and in the best interests of Madalena and its stakeholders.

A number of decisions rendered by the Canadian securities regulators relating to Rights Plans have concluded that a board faced with an unsolicited take-over bid will not generally be permitted to maintain a Rights Plan indefinitely to prevent the successful completion of the bid, but only for so long as the board is actively seeking alternatives to the bid and there is a reasonable possibility that, given additional time, a value maximizing alternative will be developed. The Rights Plan does not preclude any Shareholder from utilizing the proxy rules to promote a change in the management or direction of Madalena, and will have no effect on the rights of holders of Common Shares to requisition a meeting of Shareholders in accordance with applicable rules.

In recent years, unsolicited bids have been made for a number of Canadian public companies, many of which had a Rights Plan. The Board believe this demonstrates that the existence of a Rights Plan does not prevent the making of an unsolicited bid. Further, in a number of these cases, a change of control ultimately occurred at a price in excess of the original bid price. There can be no assurance, however, that the Rights Plan would serve to bring about a similar result.

The Rights Plan is not expected to interfere with the day-to-day operations of Madalena. The continuation of the existing outstanding Rights and the issuance of additional Rights in the future will not in any way alter the financial condition of Madalena, impede its business plans, or alter its financial statements. In addition, the Rights Plan is initially not dilutive. However, if a "**Flip-in Event**" (described below) occurs and the Rights separate from the Common Shares as described below, reported earnings per Common Share and reported cash flow per Common Share on a fully-diluted or non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-in Event may suffer substantial dilution.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan, which summary is qualified by and is subject to the full terms and conditions of the Rights Plan. A copy of the Rights Plan is available on Madalena's SEDAR profile at www.sedar.com. Except as otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Rights Plan.

Issue of Rights

Effective as of the effective date of the Rights Plan, one right ("**Right**") was issued and attached to each outstanding Common Share of Madalena or any other securities or voting interests of Madalena entitled to vote generally in the election of Board (collectively, "**Shares**"). One Right will also be issued and attach to each Share issued thereafter, subject to the limitations set forth in the Rights Plan.

Acquiring Person

An "**Acquiring Person**" is a person that beneficially owns 20% or more of the outstanding Shares. An Acquiring Person does not, however, include Madalena or any Subsidiary of Madalena, or any person that becomes the Beneficial Shareholder holding 20% or more of the Shares as a result of certain exempt transactions. These exempt transactions include where any person becomes the Beneficial Shareholder holding 20% or more of the Shares as a result of, among other things: (i) specified acquisitions of securities of Madalena (including acquisitions upon the exercise, conversion or exchange of securities convertible, exercisable or exchangeable into Shares); (ii) acquisitions pursuant to a Permitted Bid; (iii) specified distributions of securities of Madalena; (iv) certain other specified exempt acquisitions; and (v) transactions to which the application of the Rights Plan has been waived by the Board.

Also excluded from the definition of Acquiring Person is a person (a "**Grandfathered Person**") who is a Beneficial Shareholder holding 20% or more of the outstanding Shares on the date of implementation of the Rights Plan; provided further, however, that this exemption shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the date of implementation of the Rights Plan, become the Beneficial Owner of more than 1.0% of the number of Shares then outstanding in addition to those Shares already held by such person, other than through: (i) specified acquisitions of securities of Madalena (including acquisitions upon the exercise, conversion or exchange of securities convertible, exercisable or exchangeable into Shares); (ii) acquisitions pursuant to a Permitted Bid (as described below); (iii) specified distributions of securities of Madalena; (iv) certain other specified exempt acquisitions; and (v) transactions to which the application of the Rights Plan has been waived by the Board.

A Beneficial Shareholder includes an owner of securities entitling the owner to become an owner of a Share, including conversion or exchange rights or rights to purchase.

Rights Exercise Privilege

The Rights will separate from the Shares to which they are attached and will become exercisable at the close of business (the "**Separation Time**") on the tenth Trading Day (as defined in the Rights Plan) after the earliest of: (i) the first date of public announcement that a person and/or others associated, affiliated or otherwise connected to such person, or acting in concert with such person, have become an Acquiring Person; (ii) the date of commencement of, or first public announcement of the intent of any person to commence, a take-over bid, other than a Permitted Bid or a competing Permitted Bid; and (iii) the date upon which a Permitted Bid or a competing Permitted Bid ceases to be such, or such later date as the Board may determine in good faith. Subject to adjustment as provided in the Rights Plan, each Right will entitle the holder to purchase one Common Share for an exercise price (the "**Exercise Price**") equal to $50.

A transaction in which a person becomes an Acquiring Person is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by Madalena or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. After the close of business on the tenth business day after the first public announcement of the occurrence of a Flip-in Event, the Rights (other than those held by the Acquiring Person) will entitle the holder to purchase, for the Exercise Price, that number of Shares having an aggregate market price (based on the prevailing market price at the time of the consummation or occurrence of the Flip-in Event) equal to twice the Exercise Price.

Impact Once Rights Plan is Triggered

Upon a Flip-in Event occurring and the Rights separating from the attached Shares, reported earnings per Share on a fully diluted or nondiluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

By permitting holders of Rights other than an Acquiring Person to acquire Shares at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the voting securities of Madalena other than by way of a Permitted Bid or other than in circumstances where the Rights are redeemed or the Board waive the application of the Rights Plan.

Certificates and Transferability

Before the Separation Time, certificates for Shares will also evidence one Right for each Share represented by the certificate. Certificates issued on or after the effective date of the Rights Plan will bear a legend to this effect. Rights are also attached to Shares outstanding on the effective date of the Rights Plan, although certificates issued before such date will not bear such a legend.

Prior to the Separation Time, Rights will not be transferable separately from the attached Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the Shares.

Until such time as the Board otherwise determine, the Rights issued to Shareholders will be made through the book-entry system representing the number of Rights so issued. Holders of Shares or associated Rights represented by the book-entry system will not be entitled to a certificate or other instrument from Madalena, transfer agent or Rights Agent to evidence the ownerships thereof. New Shares issued as a result of the exercise of any Right will also be represented through the book-entry system in all circumstances.

Permitted Bids

The Rights Plan is not triggered if an offer to acquire Shares would allow sufficient time for the Shareholders to consider and react to the offer and would allow Shareholders to decide to tender or not tender without the concern that they will be left with illiquid Shares should they not tender.

A "**Permitted Bid**" is a take-over bid where the bid is made by way of a take-over bid circular and: (i) is made to all holders of Shares, other than the offeror, for all of the Shares held by those holders; and (ii) the bid must not permit Shares tendered pursuant to the bid to be taken up until not less than 60 days following the bid and only if, at such time, more than 50% of the Shares held by Shareholders other than the bidder, its affiliates and Persons acting jointly or in concert with the bidder (the "**Independent Shareholders**") have been tendered pursuant to the take-over bid and not withdrawn.

A Permitted Bid is not required to be approved by the Board and such bids may be made directly to Shareholders. Acquisitions of Shares made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-in Event.

Waiver and Redemption

The Board may, before the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event that would occur as a result of a take-over bid made under a circular prepared in accordance with applicable securities laws to all holders of Shares. In such event, the Board shall be deemed to also have waived the application of the Rights Plan to any other Flip in Event occurring as a result of any other takeover bid made under a circular prepared in accordance with applicable securities laws to all holders of Shares prior to the expiry of any take-over bid for which the Rights Plan has been waived or deemed to have been waived.

The Board may also waive the application of the Rights Plan to an inadvertent Flip-in Event, on the condition that the person who became an Acquiring Person in the Flip-in Event reduces its Beneficial Ownership of Shares such that it is not an Acquiring Person within 14 days of the determination of the Board (or any earlier or later time specified by the Board).

In addition, the Board may waive the application of the Rights Plan to a Flip-in Event prior to the close of business on the tenth Trading Day following a Share acquisition (or such later business day as they may from time to time determine), provided that the Acquiring Person has reduced its Beneficial Ownership of Shares, or has entered into a contractual arrangement with Madalena to do so within 10 days of the date on which such contractual arrangement is entered into, such that at the time the waiver becomes effective such Person is no longer an Acquiring Person. In the event of such a waiver becoming effective prior to the Separation Time, such Flip-in Event shall be deemed not to have occurred.

Subject to the provisions of the Rights Plan, including prior consent of the holders of the Common Shares or the Rights where required, until the occurrence of a Flip-in Event, the Board may, at any time before the Separation Time, elect to redeem all but not less than all of the then outstanding Rights at $0.000001 per Right. In the event that a person acquires Shares pursuant to a Permitted Bid, a Competing Permitted Bid or pursuant to a transaction for which the Board have waived the application of the Rights Plan, then the Board shall, immediately upon the consummation of such acquisition, without further formality, be deemed to have elected to redeem the Rights at the redemption price.

Supplement and Amendments

Before the confirmation of the Rights Plan by Shareholders, Madalena may, without the approval of holders of Shares or Rights, amend, supplement, vary, delete, resend or restate the Rights Plan in order to make any changes that the Board, acting in good faith, may deem necessary or desirable.

Following Shareholder confirmation of the Rights Plan, Madalena may, without the approval of the holders of Shares or Rights, make amendments: (i) to correct clerical or typographical errors; and (ii) to maintain the validity and effectiveness of the Rights Plan as a result of any change in applicable legislation, regulations or rules thereunder. Any amendment referred to in (ii) must, if made before the Separation Time, be submitted for approval to the holders of Shares at the next meeting of Shareholders and, if made after the Separation Time, must be submitted to the holders of Rights for approval.

Following Shareholder confirmation of the Rights Plan but before the Separation Date, Madalena may, with prior consent of the Shareholders received at the special meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the holders of Rights generally.

Following Shareholder confirmation of the Rights Plan and after the Separation Date, Madalena may, with prior consent of the holders of Rights received at the meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the holders of Rights generally.

Confirmation

The Rights Plan must be confirmed by Shareholders who vote in respect of such confirmation at the Meeting. Thereafter, the Rights Plan must be reconfirmed at every third annual meeting of shareholders of Madalena. If the Rights Plan is not approved at such meeting of shareholders, the Rights Plan and all outstanding Rights will terminate and be void and of no further force and effect.

Voting Requirements

The TSXV requires that Shareholder approval of the Rights Plan be obtained as a condition to the listing of the Rights on such stock exchange. The Rights Plan must be confirmed by the vote of the holders of a majority of Common Shares voting at the Meeting. The Board recommends that Shareholders vote for the resolution ratifying and confirming the Rights Plan and any Rights issued pursuant thereto.

At the Meeting, the following ordinary resolution, with or without variation, relating to the approval of the Rights Plan will be placed before the Shareholders (the "**Rights Plan Resolution**"):

"BE IT RESOLVED, as an ordinary resolution of the Shareholders, that:

1. the Rights Plan as set forth in the shareholder Rights Plan Agreement dated April 24, 2012 between Madalena and Alliance Trust Company, and the issuance of the Rights issued pursuant to such Rights Plan, are hereby approved, confirmed and ratified;

2. any director or officer of Madalena is hereby authorized and directed to execute and deliver all such other agreements and documents and to do all such acts and things as in his or her opinion may be necessary or desirable in connection with the foregoing; and

3. the Board may revoke this resolution before it is acted upon without further approval of the shareholders of Madalena."

In order for the Rights Plan Resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote in person or by proxy at the Meeting. Unless otherwise directed, it is the intention of management to vote proxies in favour of the ordinary resolution approving the Rights Plan.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive and Employee Compensation Principles

The Board recognizes that Madalena's success depends greatly on its ability to attract, retain and motivate superior performing employees at all levels, which can only occur if Madalena has an appropriately structured and executed compensation program. The principal objectives of Madalena's compensation program are as follows:

(a) to attract and retain qualified officers and employees;

(b) to align officer and employee interests with those of the Shareholders; and

(c) to reward both demonstration of leadership and performance as measured against specific objectives.

Composition and the Role of the Compensation Committee

The Board has established the Compensation Committee, currently comprised of Messrs. Gus Halas, Keith Macdonald and Steven Sharpe. Each member of the Compensation Committee is considered "independent" for the purpose of National Policy 58-201 – *Corporate Governance Guidelines*.

The Corporation's compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to the success of the Corporation for the benefit of the Shareholders. Employee compensation, including officer compensation, is comprised of three elements: (a) base salary; (b) short-term incentive compensation (in the form of cash bonuses); and (c) long-term incentive compensation (in the form of the issuance of Options pursuant to the Option Plan). The President and Chief Executive Officer (the "**CEO**") and the Compensation Committee review all three components in assessing the compensation of individual officers and of the Corporation as a whole. Salaries and bonuses are intended to provide current compensation and a short-term incentive for employees to meet the Corporation's goals, as well as to remain competitive with the industry that possesses a competitive hiring environment, particularly in relation to companies of Madalena's size. The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing Shareholder value. The CEO together with the Compensation Committee and the Board will continue to review compensation policies to ensure that they are competitive within the international petroleum and natural gas industry and consistent with the performance of the Corporation. Options are granted as a long-term incentive and to encourage commitment to the Corporation.

When determining executive compensation, including the assessment of the competitiveness of the Corporation's compensation practices, the Compensation Committee reviews the compensation information available in the public domain from international companies with operations in Argentina or elsewhere in South America or internationally with similar production, operation size and scope as the Corporation. The peer group that the Corporation so used was comprised of Americas Petrogas Inc., ArPetrol Ltd., Calvalley Petroleum Inc., Canacol Energy Ltd., Condor Petroleum Inc., Crown Point Ventures Ltd., Iona Energy Inc., Ithaca Energy Inc., Mart Resources Inc., Pan Orient

Energy Corp., Petroamerica Oil Corp., Serinus Energy Inc., Shamaran Petroleum Corp., Sterling Resources Ltd., TAG Oil Ltd., TransGlobe Energy Corp. and WesternZagros Resources Ltd. Some of the salary information available in the public domain with respect to these companies can be outdated and therefore the Corporation may also obtain industry reports providing salary levels. The industry reports provide general information about levels of compensation in the oil and gas industry or with respect to specific professions and not specific metrics about companies in the Corporation's peer group. Based on the information available, the Compensation Committee believes the total compensation for the Corporation's officers for 2014 is consistent with companies in the Corporation's peer group.

The CEO makes recommendations to the Compensation Committee with respect to compensation for the officers of the Corporation including the CEO. If approved by the Compensation Committee, the Compensation Committee then makes recommendations to the Board for final approval. When making such recommendations, the CEO may analyze a number of factors, including compensation data compiled from the Corporation's peer groups, corporate performance and individual officer performance. In assessing corporate performance, the Corporation does not have any pre-determined set targets, but considers a number of factors, including the following: (a) the Corporation's performance relative to its industry peer group; (b) operational progress in exploring and developing the Corporation's properties; (c) achievement of operational milestones in respect of finding reserves and resources; (d) commercialization of the Corporation's properties; and (e) production and cash flow. In assessing the performance of individual officers, consideration is given to objective factors such as level of responsibility, experience and expertise, as well as subjective factors such as leadership and performance in such officer's specific role with the Corporation.

Each element of the Corporation's executive compensation program is described in more detail below.

Base Salaries

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

Base salaries for officers, including the CEO, are established by the Compensation Committee at levels comparable to base salaries paid by the Corporation's industry peer group. In assessing comparability, the Corporation relied upon a review of base salary amounts as disclosed by industry peers in their public disclosure documents. Consideration was given to the time period evaluated in public data and to the business climate applicable at the time with respect to industry demand for experienced personnel. Salaries of officers, including that of the CEO, are reviewed annually.

Bonuses

The Corporation does not have a formal bonus plan but may award discretionary bonuses. The award of a bonus is recommended, in all cases (excluding the CEO), by the CEO and, if approved by the Compensation Committee, then recommended to the Board for final approval. The CEO's bonus is established by the Compensation Committee in consultation with the Board. Bonus awards are ultimately at the discretion of the Board upon recommendation of the Compensation Committee, based on corporate, departmental and individual performance. The discretionary bonus plan is structured to reward historical performance and drive current year results.

Long-Term Incentive Compensation - Options

The Corporation provides long-term incentive compensation in the form of the issuance of Options pursuant to the Option Plan. The Option Plan permits Madalena to issue Options to its directors, officers, employees and consultants in an aggregate of up to ten (10%) percent of the issued and outstanding share capital of the Corporation, from time to time, in accordance with the policies of the TSXV.

Options are normally awarded by the Board upon the commencement of employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. When determining Options to be allocated to each individual officer a number of factors are considered including the number of outstanding Options held by such officer, the value of such Options held by the officer and the total number of available Options for grant.

Although, as mentioned above, Options are an important means of compensating officers and employees and aligning the interests of officers and employees with the interests of the Shareholders, in recent years, Options have not always met their objective of providing a form of long-term incentive. With significant volatility in the share price of many companies in the Corporation's peer group, a market or industry wide decrease in stock prices could result in outstanding Options having little retention value. This factor is taken into consideration by the Compensation Committee when evaluating appropriate total executive compensation and in some cases the individual salaries and bonuses are adjusted accordingly in order to continue to attract and retain quality and experienced people.

Option grants and proposed grants for employees and officers are reviewed and discussed from time to time by the Compensation Committee and the Board. The Compensation Committee, as part of its mandate, administers the Option Plan approved by the Board in accordance with its terms including a recommendation to the Board of the grant of Options. The Compensation Committee also reviews and makes recommendations to the Board pertaining to Options for officers, including the CEO, and members of the Board.

The Corporation does not currently provide its officers with pension plan benefits or retiring allowances other than in certain circumstances as discussed in *"Termination and Change of Control Benefits"*, below.

Risk Adjusted Compensation

As part of its review of the Corporation's compensation program, the Compensation Committee considered whether the compensation program provided executive officers of the Corporation with adequate incentives to achieve both short and long term objectives without motivating them to take inappropriate or excessive risk. This assessment is based on a number of considerations including, without limitation, the following: (a) the terms of the Option Plan provides that the Board may determine the vesting periods for Options up to five (5) years from the date of grant; by having staggered prospective vesting periods, executive officers are encouraged to continue to develop favourable results over a longer period of time and reduces the risk of actions which may have short term advantages; (b) a portion of executive compensation in the form of bonuses is not guaranteed and is variable year over year. The Board has discretion to pay bonuses to Named Executive Officers based on recommendations made by the Compensation Committee, which recommendations are based on a variety of matters including internal corporate, administrative, operating and financial and reserve addition performance; (c) the Corporation's compensation program for certain executive officers is not structured significantly differently from the compensation program for other executive officers within the Corporation; and (d) the overall compensation program is market based and aligned with the Corporation's business plan and long-term strategies.

The Corporation has not implemented any policies which restrict its executive officers and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director.

Summary Compensation Table

The following table sets forth for the years ended December 31, 2014, 2013 and 2012, respectively, information concerning the compensation paid to our CEO and CFO and the three most highly compensated executive officers (or the three most highly compensated individuals acting in a similar capacity), other than the CEO and CFO, at the end of the years ended December 31, 2014, 2013 and 2012, respectively, whose total compensation was more than $150,000 (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**"). These amounts reflect compensation actually awarded to, earned by, paid to, or payable to the NEOs during the years-ended December 31, 2012, 2013 and 2014.

Name and principal position[1]	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)[2]	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation[5]	Total compensation ($)
					Annual incentive plans[3]	Long-term incentive plans			
Kevin Shaw President, Chief Executive Officer and a Director	2014	300,000	Nil	Nil	Nil	N/A	N/A	N/A	300,000
	2013	255,000	Nil	237,915	$255,000	N/A	N/A	N/A	747,915
	2012	25,619	Nil	463,000	Nil	N/A	N/A	N/A	488,619
Steve Dabner Vice President, Exploration	2014	200,000	Nil	Nil	Nil	N/A	N/A	N/A	200,000
	2013	157,000	Nil	189,825	$100,000	N/A	N/A	N/A	446,825
	2012	22,000	N/A	231,501	N/A	N/A	N/A	N/A	253,510
Brent Foster[4] Vice President, Engineering	2014	194,743	Nil	Nil	Nil	N/A	N/A	N/A	194,743
	2013	157,000	Nil	189,825	$100,000	N/A	N/A	N/A	346,825
	2012	22,000	N/A	185,200	N/A	N/A	N/A	N/A	207,200
Thomas Love Vice President, Finance and Chief Financial Officer	2014	235,000	Nil	Nil	Nil	N/A	N/A	N/A	235,000
	2013	135,000	Nil	489,225	$130,000	N/A	N/A	N/A	754,225
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ruy Riavitz Argentina Country Manager	2014	247,105	Nil	152,264	Nil	N/A	N/A	40,145	439,514
	2013	226,000	Nil	113,895	51,500	N/A	N/A	N/A	391,395
	2012	210,681	Nil	159,306	49,979	N/A	N/A	N/A	419,966

Notes:

(1) For details of significant terms of the Employment Agreements between the Corporation and the NEOs, see "*Termination and Change of Control Benefits*".

(2) The Corporation applies the Black-Scholes option pricing model to determine the fair value of the award. The Corporation used the following weighted average assumptions to determine the value of the award recorded above: dividend yield – 0%; expected life – 4.35 years; volatility – 86%; risk free interest rate – 1.48%. An aggregate of 495,500 Options were granted to the above named NEOs in 2014, all of which were granted to Mr. Riavitz.

(3) Bonus decisions with respect to the NEOs for 2014 have not yet been determined.

(4) Mr. Foster ceased to be an officer on December 19, 2014.

(5) The value of perquisites received by the above named NEOs (including property and other personal benefits which were not generally available to all employees), was not in total greater than $50,000 or 10% of the NEOs' total salary for 2014.

Option Plan

Madalena has adopted the Option Plan pursuant to which Options may be granted to our directors, officers, employees, consultants and other service providers (collectively, "**Madalena Service Providers**").

The purpose of the Option Plan is to develop the interest of Madalena Service Providers in the growth and development of the Corporation by providing them the opportunity through Options to acquire an increased proprietary interest in the Corporation. Options granted pursuant to the Option Plan have a term not exceeding five years and vest in such manner as determined by the Board.

The total number of Common Shares reserved for issuance pursuant to the Options granted and outstanding under the Option Plan at any time shall not exceed a number of Common Shares equal to 10% of the aggregate number of issued and outstanding Common Shares.

Options are not transferable or assignable except in accordance with the Option Plan and the holding of Options shall not entitle the holder to any rights as a security holder.

Pursuant to option agreements entered into in respect of outstanding Options, on a change of control of the Corporation (as defined therein), the vesting of Options granted thereunder are accelerated. Based on the closing price of the Common Shares at December 31, 2014 ($0.295 per Common Share), 2,700,000 Options held by the NEOs at December 31, 2014 were vested and "in-the-money" at such date. In addition, in the event of certain events such as a liquidation or dissolution of the Corporation or a reorganization, plan of arrangement or consolidation of the Corporation with one or more entities as a result of which the Corporation is not the surviving entity, the Board of Directors may exercise its discretion to permit accelerated vesting of Options on such terms as the Board sees fit and, in the event of an acceleration of vesting, to cause the Options to terminate after the end of the period of accelerated vesting, even if such termination is prior to the end of the normal exercise period. The Option Plan also provides for: (i) termination of all unvested Options upon termination of a Madalena Service Provider for any other reason, other than death, and termination of all vested Options at the earlier of dates ranging from thirty (30) days to ninety (90) days (depending on the particular stock option agreement entered into with the Madalena Service Provider) from the date of cessation as a Madalena Service Provider or the end of the applicable exercise period; and (ii) in the case of death, the Madalena Service Provider is entitled to exercise those Options which such person was entitled to exercise on the date of the death ranging from within the earlier of ninety (90) days from the date of death and the end of the exercise period, or up to one year after the date of death of the Madalena Service Provider and the end of the exercise period, if earlier (depending on the particular stock option agreement entered into with the Madalena Service Provider). Except as set forth above, the Option Plan allows for the Compensation Committee to amend or discontinue the Option Plan at any time, provided that no such amendment may, without the consent of optionee, alter or impair any Option previously granted to an optionee under the Option Plan and provided further that any amendment to the Option Plan is subject to prior approval of the TSXV, if required, and approval of the Shareholders of Madalena, if required.

Outstanding Share-Based Awards and Option-based Awards

The following table sets forth for each Named Executive Officer all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2014.

Name	Option-based Awards[1]				Share-based Awards[3]	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[2] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Kevin Shaw	2,000,000	0.29	Nov. 30, 2017	10,000	N/A	N/A
	940,000	0.35	Aug. 27, 2018	Nil		
Steve Dabner	1,000,000	0.29	Nov. 30, 2017	5,000	N/A	N/A
	750,000	0.35	Aug. 27, 2018	Nil		
Brent Foster[4]	800,000	0.29	Nov. 30, 2017	4,000	N/A	N/A
	750,000	0.35	Aug. 27, 2018	Nil		
Thomas Love	1,000,000	0.405	Mar. 4, 2018	Nil	N/A	N/A
	750,000	0.35	Aug. 27, 2018	Nil		
Ruy Riavitz	125,000	0.80	Nov 24, 2015	Nil	N/A	N/A
	300,000	0.69	Dec. 2, 2016	Nil		
	300,000	0.42	Jun. 18, 2017	Nil		
	250,000	0.29	Nov. 30, 2017	1,250		
	450,000	0.35	Aug. 27, 2018	Nil		
	495,500	0.50	July 15, 2019	Nil		

Notes:
(1) All option-based awards and options in the above table are Options.
(2) Calculated based on the difference between the market price of the securities underlying the Options at December 31, 2014 ($0.295 per Common Share) and the exercise price of the Options at such date.
(3) The Corporation does not have any share-based awards outstanding.
(4) Mr. Foster ceased to be an officer on December 19, 2014.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards and share-based awards which vested during the year ended December 31, 2014 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2014.

Name	Option-based awards – Value vested during the year[1] ($)	Share-based awards – Value vested during the year[2] ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Kevin Shaw	53,267	N/A	Nil
Steve Dabner	42,500	N/A	Nil
Brent Foster[3]	42,500	N/A	Nil
Thomas Love	117,500	N/A	Nil
Ruy Riavitz	34,500	N/A	Nil

Notes:
(1) Calculated based on the difference between the market price of the Common Shares underlying the Options on the vesting date and the exercise price of the Options on the vesting date.

(2) The Corporation does not have any share-based awards outstanding.
(3) Mr. Foster ceased to be an officer on December 19, 2014.

Pension Plans

The Corporation does not currently provide its executive officers, including the CEO, with pension plan benefits or retiring allowances.

Termination and Change of Control Benefits

On January 1, 2012, Madalena entered into an employment agreement with Mr. Riavitz. On April 26, 2013, the Corporation entered into employment agreements with Mr. Shaw and on September 1, 2015 the Corporation entered into employment agreements with Messrs. Dabner and Love (each of such agreements to be collectively referred to as the "**Employment Agreements**").

Each of the Employment Agreements provided that such agreement, and the executive's employment, may be terminated by the Corporation (for reason other than "just cause") at any time upon the payment of a retiring allowance, and upon the execution of a release by the executive in favour of the Corporation. The retiring allowance for:

(a) Mr. Riavitz is equal to the sum of:

  (i) one hundred percent (100%) of the combined amount of the executive's annual base salary as at the termination date and any annual bonus received by the executive in the twelve month period immediately preceding the termination date; and

  (ii) the amount due to the executive under applicable labour regulations in effect in the Province of Neuquén or the Republic of Argentina; and

(b) Mr. Shaw is equal to the sum of:

  (i) one hundred and fifty percent (150%) of the combined amount of the executive's annual base salary as at the termination date and bonuses received over the last twelve (12) month period prior to the termination date; and

  (ii) twenty percent (20%) of the executive's annual base salary as at the termination date to compensate the executive for the loss of executive benefits; and

(c) each of Messrs. Dabner and Love is equal to the sum of:

  (i) one hundred percent (100%) of the combined amount of the executive's annual base salary as at the termination date and bonuses received over the last twelve (12) month period prior to the termination date; and

  (ii) twenty percent (20%) of the executive's annual base salary as at the termination date to compensate the executive for the loss of executive benefits.

The Employment Agreements also provided that the executive may elect to terminate the Employment Agreement during the six (6) months following any one of the following events and in such case the executive would be entitled to their retiring allowance:

(a) a change of control (as such term is defined in the Employment Agreement);

(b) if the executive's duties, powers, rights or salary are fundamentally diminished; and

(c) upon any failure by the Corporation to continue to provide the executive with any, or reasonably equivalent, benefit, bonus, profit sharing, incentive, remuneration or compensation plan, stock ownership or purchase plan, stock option plan, warrant ownership rights, life insurance, disability plan, pension plan or retirement plan in which the executive was entitled to participate in, or if the Corporation has taken any action which adversely affects the executive's rights or participation in any such plans.

Compensation and payment levels in the Employment Agreement were based primarily on compensation information available in the public domain from companies with similar production, operation size and scope as the Corporation along with subjective factors such as leadership and performance in such officer's specific role with the Corporation.

The Corporation has also entered into Option agreements with each of Messrs. Riavitz, Shaw, Dabner and Love. Such Option agreements provide for termination and change of control benefits as describe above under the heading *"Option Plan"*.

The following table sets forth the estimated incremental payments (rounded to the nearest thousand dollars) that would be made to each of the NEOs assuming that a "change of control" event (as described above) occurred as of December 31, 2014.

Name	Multiple[(1)]	Salary	Bonus	Total Incremental Payment
Kevin Shaw[(2)]	1.5 + 0.2	$300,000	$255,000	$892,500
Steve Dabner[(2)]	1.0 +0.2	$200,000	$100,000	$340,000
Thomas Love[(2)]	1.0 +0.2	$235,000	$130,000	$412,000
Ruy Riavitz[(2)]	1.0	USD$220,000	USD$50,000	USD$314,000

Notes:

(1) For Mr. Riavitz, calculated in accordance with the Employment Agreements: a retiring allowance equal to the total of one hundred percent (100%) of the combined amount of the executive's annual base salary as at the termination date and any annual bonus received by the executive in the twelve month period immediately preceding the termination date plus the amount due under applicable labour regulations in effect in the Province of Neuquén in the Republic of Argentina, estimated at 20% of annual base salary. For Mr. Shaw, calculated in accordance with the Employment Agreements: a retiring allowance equal to the total of: (i) one hundred and fifty percent (150%) of the combined amount of the executive's annual base salary as at the termination date and bonuses received over the last twelve month period prior to the termination date; and (ii) twenty percent (20%) of the executive's annual base salary as at the termination date to compensate the executive for the loss of executive benefits. For Messrs. Dabner and Love, calculated in accordance with the Employment Agreements: a retiring allowance equal to the total of: (i) one hundred percent (100%) of the combined amount of the executive's annual base salary as at the termination date and bonuses received over the last twelve month period prior to the termination date; and (ii) twenty percent (20%) of the executive's annual base salary as at the termination date to compensate the executive for the loss of executive benefits.

(2) Pursuant to the terms of the Option Plan and Option agreements governing the issuances of Options to the NEOs, all unvested Options held by NEOs terminated upon the NEO ceasing to be a NEO and all vested Options held by the NEOs terminate ninety (90) days after the NEO ceases to be a NEO.

Pursuant to the Employment Agreements, the salary paid to each executive was subject to an annual salary review. During their tenure with the Corporation, each executive is entitled to participate in and receive rights and benefits under the Option Plan and the executive is also entitled to participate in the executive bonus plan.

Director Compensation

Based on the recommendation of the Compensation Committee, the Board approved, effective October 1, 2014: (i) an annual retainer of $25,000 payable to the independent directors of the Corporation; (ii) an annual retainer of $50,000 payable to the Chairman of the Board; (iii) an additional annual retainer of $5,000 payable to each of the Chairmen of the Compensation Committee and Reserves Committee; (iv) an additional annual retainer of $10,000 payable to the Chairman of the Audit Committee; and (v) an additional $1,000 for every committee and Board meeting attended by and independent director in person or by conference call.

Based on the recommendation of the Compensation Committee, the Board approved, effective October 1, 2014, the adoption of a travel policy to compensate directors for the time and effort required to travel in their role as a director of the Corporation, including attending Board and committee meetings and site visits to the Corporation's operations (the "**Travel Policy**"). The Travel Policy includes a per diem fee of $1,000 (equivalent to a market-typical meeting fee) for travel times exceeding four hours, with all travel claims approved by the Chair of the Audit Committee or the Chair of the Compensation Committee.

Directors were reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors. Each of the Corporation's non-management directors also participated in the Corporation's stock option plan.

Directors' Summary Compensation Table

The following table sets forth for the year ended December 31, 2014, information concerning the compensation paid to the Corporation's directors other than directors who are also Named Executive Officers.

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)[1]	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Douglas Brooks[2][5]	42,250	N/A	99,787	N/A	N/A	Nil	142,037
Barry Larson	9,250	N/A	Nil	N/A	N/A	Nil	9,250
Keith Macdonald[5]	41,750	N/A	Nil	N/A	N/A	Nil	41,750
Jay Reid[3]	11,500	N/A	Nil	N/A	N/A	Nil	11,500
Steven Sharpe[4][5]	68,250	N/A	99,787	N/A	N/A	Nil	168,037
Ray Smith	14,500	N/A	Nil	N/A	N/A	Nil	14,500
Ving Woo	11,500	N/A	Nil	N/A	N/A	Nil	11,500

Notes:

(1) The amount reflects Options issued under the Option Plan during 2014 and is based on the grant date fair value of the applicable reward. The fair value of the award has been determined using the same methodology and assumptions used in calculating the stock-based compensation in the Corporation's financial statements. The Corporation applies the Black-Scholes option pricing model to determine the fair value of the award. The Corporation used the following assumptions to determine the value of the award recorded above: dividend yield – 0%; expected life – 4.35 years; volatility – 82%; risk free interest rate – 1.35%.

(2) Mr. Brooks was appointed to the Board effective September 23, 2014 and was granted 350,000 Options shortly after his appointment. Mr. Brooks resigned as a director of the Corporation on April 14, 2015.

(3) Mr. Jay Reid resigned as a director of the Corporation effective January 26, 2015.

(4) Mr. Sharpe was appointed to the Board effective September 23, 2014 and was granted 350,000 Options shortly after his appointment.

(5) Includes additional fees earned pursuant to work performed for the Special Committee of the Board.

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

The following table sets forth for each of our directors other than directors who are also Named Executive Officers, all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2014.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[1] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Douglas Brooks[2]	350,000	0.46	Sept. 25, 2019	Nil	N/A	N/A
Barry Larson	300,000	0.32	Jul 21, 2015	Nil	N/A	N/A
	300,000	0.79	Dec 21, 2015	Nil		
	300,000	0.42	Jun. 18, 2017	Nil		
	324,200	0.35	Aug. 27, 2018	Nil		
Keith Macdonald	300,000	0.21	Jan 28, 2015	25,500	N/A	N/A
	380,000	0.79	Dec 21, 2015	Nil		
	330,000	0.42	Jun. 18, 2017	Nil		
	324,200	0.35	Aug. 27, 2018	Nil		
Jay Reid[3]	150,000	0.21	Jan 28, 2015	12,750	N/A	N/A
	340,000	0.79	Dec 21, 2015	Nil		
	330,000	0.42	Jun. 18, 2017	Nil		
	324,200	0.35	Aug. 27, 2018	Nil		
Steven Sharpe[4]	350,000	0.46	Sept. 25, 2019	Nil	N/A	N/A
Ray Smith	500,000	0.21	Jan 28, 2015	42,500	N/A	N/A
	500,000	0.79	Dec 21, 2015	Nil		
	400,000	0.42	Jun. 18, 2017	Nil		
	383,200	0.35	Aug. 27, 2018	Nil		
Ving Woo	100,000	0.21	Jan 28, 2015	8,500	N/A	N/A
	340,000	0.79	Dec 21, 2015	Nil		
	300,000	0.96	Feb 14, 2016	Nil		
	330,000	0.42	Jun. 18, 2017	Nil		
	324,200	0.35	Aug. 27, 2018	Nil		

Notes:

(1) Calculated based on the difference between the market price of the Common Shares underlying the Options at December 31, 2014 ($0.295 per Common Share) and the exercise price of the Options.

(2) Mr. Brooks was appointed to the Board effective September 23, 2014 and was granted 350,000 Options shortly after his appointment. Mr. Brooks resigned as a director of the Corporation on April 14, 2015.

(3) Mr. Jay Reid resigned as a director of the Corporation effective January 26, 2015.

(4) Mr. Sharpe was appointed to the Board effective September 23, 2014 and was granted 350,000 Options shortly after his appointment.

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

The following table sets forth for each of our directors other than directors who are also Named Executive Officers, the value of option-based awards and share-based awards which vested during the year ended December 31, 2014 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2014.

Name	Option-based awards – Value vested during the year[(1)] ($)	Share-based awards – Value vested during the year[(2)] ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Douglas Brooks[(3)]	Nil	N/A	N/A
Barry Larson	27,371	N/A	N/A
Keith Macdonald	28,271	N/A	N/A
Jay Reid[(4)]	28,271	N/A	N/A
Steven Sharpe[(5)]	Nil	N/A	N/A
Ray Smith	33,715	N/A	N/A
Ving Woo	28,271	N/A	N/A

Notes:

(1) Calculated based on the difference between the market price of the Common Shares underlying the Options on the vesting date and the exercise price of the Options on the vesting date.

(2) The Corporation does not have any share-based awards outstanding.

(3) Mr. Brooks was appointed to the Board effective September 23, 2014 and was granted 350,000 Options shortly after his appointment. Mr. Brooks resigned as a director of the Corporation on April 14, 2015.

(4) Mr. Jay Reid resigned as a director of the Corporation effective January 26, 2015.

(5) Mr. Sharpe was appointed to the Board effective September 23, 2014 and was granted 350,000 Options shortly after his appointment.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))[(1)] (c)
Equity compensation plans approved by security holders (the Option Plan)	25,880,833 Common Shares	$0.42	28,175,727 Common Shares
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	25,880,833 Common Shares	$0.42	28,175,727 Common Shares

Note:

(1) Represents the maximum number of Common Shares issuable under the Option Plan based upon the number of Common Shares outstanding as at December 31, 2014. See "*Option Plan*".

CORPORATE GOVERNANCE DISCLOSURE

Set forth below is a description of the Corporation's current corporate governance practices, as prescribed by Form 58-101F2, of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Board of Directors

The majority of the Board are independent. The Board has determined that Gus Halas, Barry Larson, Keith Macdonald, Steven Sharpe, Ray Smith and Ving Woo are independent directors. Kevin Shaw is not considered independent as he is an executive officer.

Directorships

Certain directors of the Corporation are presently directors or trustees of other reporting issuers, as set forth below:

Name	Name of Reporting Issuer
Gus Halas	OptimizeRx Corporation Triangle Petroleum Corporation Hooper Holmes, Inc.
Barry Larson	Parex Resources Inc.
Keith Macdonald	Bellatrix Exploration Ltd. Mountainview Energy Ltd. Surge Energy Inc.
Steven Sharpe	N/A
Kevin Shaw	N/A
Raymond G. Smith	Bellatrix Exploration Ltd.
Ving Woo	N/A

Orientation and Continuing Education

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors join the Board, management will provide these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures will prove to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited changes to members of the Board and the experience and expertise of the members of the Board.

Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**") for its employees, officers, directors, independent contract workers and other agents that conduct activities on behalf of the Corporation. Directors and officers are required to sign acknowledgements that they have read and understand the Code. A copy of the Code can be found on SEDAR at www.sedar.com.

Nomination of Directors

Pursuant to their mandate, the Board of Directors has the responsibility of recruiting and recommending new members to the Board. It is expected that any new candidates will be identified having regard to: (i) the competence

and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board. The Board of Directors reviews on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

Compensation

The Board of Directors is responsible for: (i) evaluating senior management; and (ii) developing appropriate compensation policies for the senior management and directors of the Corporation, including the Option Plan. The initial grant of options is made at the time of recruitment and reviewed annually.

Other Board Committees

The Board has a Reserves Committee, which is composed of three (3) directors, each of whom is independent.

The Reserves Committee is responsible for reviewing the independent engineering reserves report and meeting with the independent engineers to review the methodology used in estimating the reserves. The Reserves Committee reviews the adequacy of the information available to the independent engineers and the co-operation of management in making such information available. The members of the Reserves Committee have direct access to the independent engineers of the Corporation. The Reserves Committee will also review and/or approve any other matters specifically delegated to it by the Board.

Assessments

The Board makes annual assessments regarding the effectiveness of the Board itself, committees and individual directors in fulfilling their responsibilities.

AUDIT DISCLOSURE

The Audit Committee is a committee of the Board of Directors established for the purpose of overseeing the accounting and financial reporting process of the company and annual external audits of the consolidated financial statements. The committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the company's internal accounting standards and practises, financial information, accounting systems and procedures, which procedures are set out below in the Corporation's audit committee mandate attached as Schedule C.

Audit Committee Members

Messrs. Gus Halas, Keith Macdonald and Steven Sharpe are the current members of the Audit Committee and are each independent directors. All members of the Audit Committee are financially literate and their qualifications and experience are as follows:

Name and Municipality of Residence	Independent	Financially literate	Relevant Education and Experience
Gus Halas	Yes	Yes	Gus Halas has been a member of the advisory board of White Deer Energy, a firm launched to invest in middle-market energy companies, specifically in exploration and production, oil service and equipment, and regional energy infrastructure, since August 2009. Mr. Halas currently serves on the boards of directors of OptimizeRx Corporation, which provides unique consumer & physician platforms and strategies to help patients better afford and comply with their medicines and healthcare products, since August 2014; Triangle Petroleum Corporation, a growth-

Name and Municipality of Residence	Independent	Financially literate	Relevant Education and Experience
			oriented, independent energy company focused on the exploration, development and production of unconventional shale oil and natural gas resources in the United States, since October 2011; and Hooper Holmes, Inc., which partners with organizations to empower their health and wellness programs, since April 2013. Previously, Mr. Halas served as a director of Aquilex Corporation, a leading global provider of critical maintenance, repair and industrial cleaning solutions to the energy industry, from June 2007 until July 2011. Mr. Halas previously served as the Chief Executive Officer and President of Central Garden & Pet Company, a pet care retailer, from April 2011 through May 2013. He was formerly President and Chief Executive Officer of T-3 Energy Services Inc., a provider of oilfield products and services, from May 2003 until March 2009, and also served as Chairman of the Board from 2004 until March 2009 and as a Director from May 2003 until March 2009. From August 2001 until April 2003, Mr. Halas served as President and Chief Executive Officer of Clore Automotive Inc., a Kansas–based manufacturer and distributor of aftermarket auto parts and supplies. During 2001, Mr. Halas also served as President and Chief Executive Officer of Marley Cooling Tower Company, a manufacturer of evaporative water cooling towers for generation, industrial refrigeration and HVAC markets throughout the world. From 1999 until 2000, Mr. Halas served as President of Ingersoll-Dresser's Pump Services Group, a remanufacturer and service provider of centrifugal pumps. From 1986 to 1999, Mr. Halas served in various management roles, including Senior Vice President, Customer Support Services of Sulzer Industries Inc., a manufacturer, remanufacturer and service provider of centrifugal pumps. Mr. Halas holds a B.S. in Physics and Economics from Virginia Polytechnic Institute and State University.
Keith Macdonald	Yes	Yes	Mr. Macdonald graduated from the University of Calgary in 1978 with a Bachelor of Commerce in Accounting. Articling with a predecessor to KPMG LLP, he received the Chartered Accountant designation in 1980. Over his career, he founded and was President of New Cache Petroleums Ltd. and has served as a director of several public companies. Currently a director and chair/member of Audit Committee of Surge Energy Inc., Bellatrix Exploration Ltd. and Mountainview Energy Ltd. During the past five years, Mr. Macdonald has been the President of Bamako Investment Management Ltd., a private holding and consulting company, Chief Executive Officer and Director of EFL Overseas, Inc. from March 2011 to January 2015 and Chairman and President of EFL Overseas, Inc. from March 2011 to August 2012.
Steven Sharpe	Yes	Yes	Mr. Sharpe has a Bachelor of Science degree from the University of Western Ontario and a Bachelor of Laws from the Osgoode Hall Law School York University. Managing Director of The EmBeSa Corporation since August, 2007; Chairman and director of Longview Oil Corp. from April, 2010 to June 2014; Director of Renegade Petroleum Ltd. from April 26, 2013 to January 26, 2014; Chairman of Advantage Oil & Gas Ltd. from May 26, 2004 to January 2014 and director of Advantage Oil & Gas Ltd. from May 24, 2001 to January 2014; Chairman of Prime Restaurants Inc. from April, 2010 to January, 2012; director of C.A. Bancorp. Inc. from December, 2011 to March 2013 and CEO of C.A. Bancorp. Inc. from November 2012 to March, 2013; Chairman and Chief Executive Officer of Prime Restaurants Royalty Income Fund from October, 2009 to March, 2010; Senior Advisor to Blair Franklin Capital Partners, Inc., a Toronto-

Name and Municipality of Residence	Independent	Financially literate	Relevant Education and Experience
			based investment bank which he co-founded in May, 2003, from August, 2007 to July, 2009.

Audit Committee Oversight

During the most recently completed financial year, there were no recommendations made by the Audit Committee that were not adopted by the Board.

Pre-Approval Policies and Procedures of the Audit Committee

Pursuant to the Audit Committee Mandate, the Corporation will not engage the Corporation's independent auditor, KPMG, to carry out any prohibited services such as bookkeeping, internal audit or management functions ("**Prohibited Services**"). The Audit Committee will consider the pre-approval of permitted services to be performed by the external auditor.

For permitted services, the Corporation has adopted the following pre-approval policies:

(a) Audit Services

The Audit Committee will pre-approve all Audit Services provided by KPMG through their recommendation of KPMG as Shareholders' auditor at the Corporation's annual shareholder meeting and through the Audit Committee's review of KPMG's annual audit plan.

(b) Pre-Approval of Audit Related, Tax and Other Non-Audit Services

Annually the Audit Committee will update a list of pre-approved services and pre-approve services that are recurring or otherwise reasonably expected to be provided.

The Audit Committee will be subsequently informed quarterly of the services for which the auditor has been actually engaged.

(c) Approval of Additional Services

The request for service should include a description of the service, the estimated fee, a statement that the service is not a Prohibited Service and the reason KPMG is being engaged.

Where the aggregate fees are estimated to be less than or equal to $25,000, recommendations, in respect of each engagement, will be submitted by the Vice President, Finance and Chief Financial Officer to the Chairman of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service, at its next meeting. The engagement may commence upon approval from the Chairman of the Audit Committee.

Where the aggregate fees are estimated to be greater than $25,000, recommendations, in respect of each engagement, will be submitted by the Vice President, Finance and Chief Financial Officer to the full Audit Committee for consideration and approval, generally at its next meeting or at a special meeting called for the purpose of approving such services. The engagement may commence upon approval of the full Audit Committee.

External Auditor Fees

The Audit Committee shall review and pre-approve all non-audit services to be provided to the Corporation by its external auditors.

Audit Service Fees

The following table discloses fees billed to the Corporation for the last two fiscal years by the Corporation's independent auditor, KPMG:

Type of Service Provided	2014	2013
Audit Fees	$212,710	$165,318
Audit-Related Fees	$70,515	$45,600
Tax Fees	$18,580	$29,313
All Other Fees	$257,096	$88,380
Total	$558,901	$328,380

Exemptions

The Corporation relies on section 6.1 of Multilateral Instrument 52-110, as the Corporation is a "venture issuer" under that instrument.

INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Except as disclosed below, there were no material interests, direct or indirect, of directors or executive officers of the Corporation, any Shareholder who beneficially owns, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

During the period commencing on January 1, 2014 to the date hereof, Juan Lucino of Buenos Aires, Argentina, a lawyer and director of a subsidiary of the Corporation, was paid approximately $35,000 in fees for legal services rendered.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, any Shareholder who beneficially owns, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. See "*Directors and Officers of the Corporation*". Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

OTHER MATTERS COMING BEFORE THE MEETING

Management of the Corporation knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting accompanying the Information Circular. However, if any

other matter properly comes before the Meeting, the forms of proxy furnished by the Corporation will be voted on regarding such matters in accordance with the best judgment of the person or persons voting the proxy.

DIRECTORS' APPROVAL

The contents and the sending of this Information Circular have been approved by the Board.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's comparative audited consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2014. To receive a copy of the Corporation's financial statements and related management's discussion and analysis please contact the Corporation at 3200, 500 – 4th Avenue SW, Calgary, Alberta T2P 2V6, Attention: Thomas Love, Vice President, Finance and Chief Financial Officer. If you wish, this information and additional information relating to Madalena may also be accessed on Madalena's website at www.madalenaenergy.com or on SEDAR at www.sedar.com. None of the information available on Madalena's website or on SEDAR is deemed to be incorporated by reference herein.

SCHEDULE A

MADALENA ENERGY INC.
STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

1.1 The purpose of the Option Plan is to provide certain directors, officers and key employees and consultants of the Corporation or a Subsidiary with an opportunity to purchase Shares and to benefit from the appreciation thereof. This will provide an increased incentive for these directors, officers, key employees and consultants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Shares for the benefit of all the shareholders and increasing the ability of the Corporation to attract and retain individuals of exceptional skill.

2. DEFINED TERMS

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

(a) "**Blackout Period**" means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;

(b) "**Board**" means the board of directors of the Corporation;

(c) "**Change of Control**" means any of the following:

(i) the purchase or acquisition of any Voting Shares or Convertible Securities by a Holder which results in the Holder beneficially owning, or exercising control or direction over, Voting Shares or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned or over which control or direction is exercised by the Holder, the Holder would beneficially own, or exercise control or direction over, Voting Shares carrying the right to cast more than 50% of the votes attaching to all Voting Shares, but excluding any issue or sale of Voting Shares of the Corporation to an investment dealer or group of investment dealers as underwriters or agents for distribution to the public either by way of prospectus or private placement; or

(ii) the approval by the shareholders of the Corporation of an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another corporation which requires approval of the shareholders of the Corporation pursuant to its statute of incorporation and pursuant to which the shareholders of the Corporation immediately thereafter do not own shares of the successor or continuing corporation, which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation, which may be cast to elect directors of that corporation; or

(iii) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board, as directors of the Corporation who are not included in the slate for election as directors proposed to the Corporation's shareholders by the Corporation; or

(iv) approval by the shareholders of the Corporation of the liquidation, dissolution or winding-up of the Corporation; or

(v) approval by the shareholders of the Corporation of the sale, lease or other disposition of all or substantially all of the assets of the Corporation; or

(vi) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii), (iv) and (v) referred to above; or

(vii) a determination by the Board that there has been a change, whether by way of a change in the holding of the Voting Shares of the Corporation, in the ownership of the Corporation's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation;

(d) "**Convertible Securities**" means any securities convertible or exchangeable into Voting Shares or carrying the right or obligation to acquire Voting Shares;

(e) "**Corporation**" means Madalena Energy Inc., and includes any successor corporation thereof;

(f) "**Exchange**" means the TSX Venture Exchange, Inc. or, if the Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;

(g) "**Exercise Price**" means the price per share at which Shares may be purchased under the Option, as the same may be adjusted in accordance with Articles 4 and 6 hereof;

(h) "**Holder**" means a person, a group of persons or persons acting jointly or in concert or persons associated or affiliated, within the meaning of the *Business Corporations Act* (Alberta), with any such person, group of persons or any of such persons acting jointly or in concert;

(i) "**Insider**" means an insider as defined in subsection 1(aa) of the *Securities Act* (Alberta) and includes an associate of such Insider, as defined in subsection 1(c) of the *Securities Act* (Alberta), as such provisions are from time to time amended, varied or re enacted, of any insider;

(j) "**Investor Relations Activities**" means any activities, by or on behalf of the Corporation or a shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

(i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:

(A) to promote the sale of products or services of the Corporation; or

(B) to raise public awareness of the Corporation;

that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

(ii) activities or communications necessary to comply with the requirements of:

(A) applicable securities laws; or

(B) Exchange Requirements (as defined in the policies of the Exchange) or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;

(iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:

(A) the communication is only through the newspaper, magazine or publication; and

(B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(iv) activities or communications that may be otherwise specified by the Exchange.

(k) "**Market Price**" on any date, shall be the closing trading price of the Shares on the Exchange (as reported by such exchange) on the last trading day prior to such date or, in the absence of a closing price on such date, on the most recent date (not exceeding 10 days) prior to such date or, if the Shares are not listed on the Exchange, on such other stock exchange as the Board may designate and, otherwise, shall be as determined by the Board or, such price allowed by the applicable regulatory body or exchange;

(l) "**Option**" means an option to purchase Shares granted by the Board to certain directors, officers, key employees or consultants of the Corporation or a Subsidiary, subject to the provisions contained herein;

(m) "**Participants**" means certain directors, officers, *bona fide* employees or *bona fide* consultants of the Corporation or a Subsidiary to whom Options are granted and which Options or a portion thereof remain unexercised;

(n) "**Plan**" means the stock option plan of the Corporation, as the same may be amended or varied from time to time;

(o) "**Shares**" means the common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Article 6 hereof, such other Shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;

(p) "**Subsidiary**" means a person or company considered to be a subsidiary entity of another person or company as described in section 4 of the *Securities Act* (Alberta);

(q) "**Take-over Proposal**" means (i) any proposal or offer by a third person, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding voting shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding voting shares, or (ii) any proposal, offer or agreement for a merger, consolidation, amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving the Corporation; and

(r) "**Voting Shares**" means any securities of the Corporation ordinarily carrying the right to vote at elections of directors.

3. ADMINISTRATION OF THE PLAN

3.1 The Option Plan shall be administered by the Board. The Corporation shall effect the grant of Options under the Option Plan, in accordance with determinations made by the Board pursuant to the provisions of the Option Plan as to:

(a) the directors, officers, key employees and consultants of the Corporation and, if applicable, any Subsidiaries to whom Options will be granted; and

(b) the number of Shares which shall be the subject of each Option;

by the execution and delivery of instruments in writing in form approved by the Board.

3.2 The Board may, from time to time, adopt such rules and regulations for administering the Option Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer the Option Plan to a committee of the Board.

4. GRANTING OF OPTIONS

4.1 The Board from time to time shall grant Options to certain directors, officers, key employees and consultants of the Corporation or a Subsidiary. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time.

4.2 The aggregate number of Shares that may be issued pursuant to the exercise of Options awarded under the Option Plan and all other share compensation arrangements of the Corporation is 10% of the Shares outstanding from time to time, subject to the following limitations:

(a) the aggregate number of Shares reserved for issuance to any one person under the Option Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the outstanding issue of Shares (on a non diluted basis);

(b) the aggregate number of Shares reserved for issuance to any one Insider and such Insider's associates pursuant to the Option Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the outstanding issue of Shares; and

(c) the aggregate number of Shares reserved for issuance to Insiders pursuant to the plan, together with all other share compensation arrangements of the Corporation, within a one-year period, must not exceed 10% of the outstanding issue of Shares;

(d) the aggregate number of Shares reserved for issuance to any one Participant employed to provide Investor Relations Activities in a 12 month period, must not exceed 2% of the outstanding issue of Shares;

(e) the aggregate number of Shares reserved for issuance to consultants pursuant to the Option Plan, together with all other share compensation arrangements of the Corporation, shall not exceed 2% of the outstanding issue of Shares;

(f) the aggregate number of Shares reserved for issuance to any single consultant under the Option Plan, together with all other share compensation arrangements of the Corporation, within a one-year period, shall not exceed 1% of the outstanding issue of Shares.

The Shares in respect of which Options are not exercised shall be available for subsequent Options. The "reloading" of Options is permitted under the Option Plan. This prescribed maximum may be subsequently increased to any other specified amount, provided the change is authorized by a vote of the shareholders of the Corporation. If any Options granted under this Plan shall expire, terminate or be cancelled for any reason without having been exercised in full, any unpurchased Shares to which such Options relate shall be available for the purposes of the granting of further Options under this Plan. No fractional shares may be purchased or issued hereunder.

4.3 Subject to the policies of the Exchange, the Exercise Price of any Option shall be fixed by the Board when such Option is granted, provided that such price shall not be less than the Market Price of the Shares. The Exercise Price as calculated above is intended to be the fair market value of the Shares at the date of grant and, subject to the approval of the Board, the Exchange and the shareholders of the Corporation (where required), the Exercise Price may be adjusted if necessary to achieve that result.

4.4 The term of Options granted shall be determined by the Board in its discretion, to a maximum of five years from the date of the grant of the Option. The vesting period or periods within this period during which an Option or a portion thereof may be exercised by a Participant shall be determined by the Board. In the absence of any determination by the Board as to vesting, vesting shall be as to one-third on each of the first, second and third anniversaries of the date of grant. Further, the Board may, in its sole discretion at any time or in the Option

agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted.

4.5 If the normal expiry date of any Option falls within any Blackout Period or within 10 business days (being a day other than a Saturday, Sunday or other than a day when banks in Calgary, Alberta are not generally open for business) following the end of any Blackout Period (the "**Restricted Options**"), then the expiry date of such Restricted Options shall, without any further action, be extended to the date that is 10 business days following the end such Blackout Period. The foregoing extension applies to all Options whatever the date of grant and shall not be considered an extension of the term of the Options as referred to in Section 10.2 hereof.

5. EXERCISE OF OPTION

5.1 Subject to the Option Plan, an optionee (or his or her legal personal representative) may exercise from time to time by delivery to the Corporation, at its head office in Calgary, Alberta, of a written notice of exercise ("**Exercise Notice**") specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Shares then being purchased and payment in full of any amount required to be paid by the optionee pursuant to Section 14. Upon exercise of the Option, the Corporation will cause to be delivered to the optionee a certificate or certificates, representing such Shares in the name of the optionee or the optionee's legal personal representative or otherwise as the optionee may or they may in writing direct.

6. ADJUSTMENTS IN SHARES

6.1 Appropriate adjustments in the number of Shares subject to the Option Plan and, as regards Options granted or to be granted, in the number of Shares optioned and in the Exercise Price, shall be made by the Board to give effect to adjustments in the number of Shares resulting from subdivisions, consolidations or reclassifications of the Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Corporation, which changes occur subsequent to the approval of the Option Plan by the Board.

6.2 Options granted to Participants hereunder are non assignable and non transferable, except in the case of the death of a Participant (which is provided for in Section 8), and are exercisable only by the Participant to whom the Option has been granted.

7. DECISIONS OF THE BOARD

7.1 All decisions and interpretations of the Board respecting the Option Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors, officers, employees and consultants eligible under the provisions of the Option Plan to participate therein.

8. TERMINATION OF EMPLOYMENT/DEATH

8.1 Unless otherwise provided in the agreement evidencing the grant of Options, Options shall terminate at the earlier of: (i) the close of business 90 days after the Optionee ceasing (other than by reason of death but including termination with or without cause) to be at least one of an officer, director, employee (in active employment carrying out regular and normal duties), or consultant of the Corporation or a Subsidiary of the Corporation, as the case may be, (ii) the close of business 90 days after the optionee has been provided with written notice of dismissal related to (i) above; and (iii) the expiry date of the Option.

8.2 If an optionee ceases to be eligible for a grant of Options under the Option Plan by reason of retirement pursuant to an established retirement policy of the Board, all options held by the retiring optionee will become vested and exercisable, to the extent not already vested and exercisable, immediately prior to retirement and continue to be exercisable until the original expiry date.

8.3 If before the expiry of an Option in accordance with the terms thereof a Participant ceases to be an employee, officer, director or consultant by reason of the death of the Participant, any unvested portion of such Option shall immediately vest. In addition, such Option may, subject to the terms thereof and any other terms of the Option Plan, be exercised by the legal personal representative(s) of the Participant's estate or at any time before 5:00 p.m. Calgary time up to one year after the date of death of the Participant, or until the Expiry date of the Option, if earlier.

8.4 The Option Plan does not confer upon a Participant any right with respect to continuation of employment by the Corporation or any Subsidiary, nor does it interfere in any way with the right of the Participant, the Corporation or the Subsidiary to terminate the Participant's employment at any time.

8.5 Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

9. CHANGE OF CONTROL

9.1 In the event of a Change of Control occurring, all Options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the Options, for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30th) day following the Change of Control.

9.2 Options may provide that, in the event of the sale by the Corporation of all or substantially all of the property and assets of the Corporation as an entirety (an "**Asset Sale**") prior to the expiry time of an Option, such Option may be exercised, as to all or any of the Shares in respect of which such Option has not previously been exercised (including in respect of the right to purchase Shares not otherwise vested at such time) by the Participant (the "**Sale Acceleration Right**"). The Sale Acceleration Right shall commence at such time as determined by the Board, provided that if the Board approves the Sale Acceleration Right but does not determine commencement and termination dates regarding same, the Sale Acceleration Right shall commence on the day following the closing of the Asset Sale and end on the earlier of the expiry time of the Option and the thirtieth (30th) day following the closing of the Asset Sale. Notwithstanding the foregoing, the Sale Acceleration Right may be extended for such longer period as the Board may resolve.

9.3 If approved by the Board, Options may provide that, whenever the Corporation's shareholders receive a Take-over Proposal, such Option may be exercised as to all or any of the Shares in respect of which such Option has not previously been exercised (including in respect of Shares not otherwise vested at such time) by the Participant (the "**Take-over Acceleration Right**"), but any such Option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-Over Proposal. If for any reason any such Shares are not so tendered or, if tendered, are not, for any reason taken up and paid for by the offeree pursuant to the Take-Over Proposal, any such Shares so purchased by the Participant shall be and shall be deemed to be cancelled and returned to the treasury of the Corporation, and shall be added back to the number of Shares, if any, remaining unexercised under the Option (and shall thus be available for exercise of the Option in accordance with the terms thereof) and upon presentation of the Corporation of share certificates representing such Shares properly endorsed for transfer back to the Corporation, the Corporation shall refund to the Participant all consideration paid by him or her in the initial purchase thereof. The Take-over Acceleration Right shall commence at such time as is determined by the Board, provided that, if the Board approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the Option and the tenth (10th) day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Board may resolve.

10. AMENDMENT OR DISCONTINUANCE OF PLAN

10.1 The Board may amend or discontinue the Option Plan at any time without the consent of the Participants provided that such amendment shall not alter or impair any Option previously granted under the Option Plan except as permitted by the provisions of Article 6 hereof and that such amendment or discontinuance has been approved, if required, by the Exchange.

10.2 The Board may make any amendment to the Option Plan or grant of Options hereunder without shareholder approval provided however that the Option Plan may not be amended without shareholder approval in the case of the following amendments: (A) an amendment to the Option Plan to increase the percentage of Shares issuable on exercise of options in excess of the 10% limit currently prescribed; (B) to reduce the exercise price of any outstanding options; (C) to extend the term of any outstanding Option held by an Insider beyond the original expiry date of the Options; (D) to make any amendment to the Option Plan that permits a Participant to transfer assigned options to a new beneficial Participant other than in the case of the death of the Participant; or (E) to amend the amending provision of the Option Plan.

10.3 Disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option held by an Insider at the time of the proposed amendment.

11. GOVERNMENT REGULATION

11.1 The Corporation's obligation to issue and deliver Shares under any Option is subject to:

(a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

(b) the admission of such Shares to listing on any Exchange on which such Shares may then be listed; and

(c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any Exchange on which such Shares are then listed.

12. PARTICIPANTS' RIGHTS

12.1 A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Shares upon the exercise of an Option or a portion thereof, and then only with respect to the Shares represented by such certificate or certificates.

13. OPTION AGREEMENT

13.1 The Option agreement between the Corporation and each Participant to whom an Option is granted hereunder will be in writing and will set out the number of Shares subject to option, the Exercise Price, the vesting dates, the expiry date and any other terms approved by the Board, all in accordance with the provisions of this Plan. The agreement will be in such form as the Board may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

14. TAX WITHHOLDING

14.1 The Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise), an optionee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld in respect to any taxable event arising as a result of the Option Plan, including the grant or exercise of Options granted under the Option Plan. With respect to required withholding, the Corporation shall have the irrevocable right to (and the optionee consents to) the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such optionee (whether arising pursuant to the optionee providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements as are necessary to satisfy the required remittance amount. In addition, the Corporation may elect in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Shares as it determines are required to be sold by the Corporation, as trustee to satisfy the withholding obligation net of selling costs (which costs shall be the responsibility of the optionee and which shall be and are authorized to be deducted from the proceeds of the sale). The optionee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of Shares. Any reference in this Plan to the issuance of Shares or a payment of cash is expressly subject to Section 14.

15. NO GUARANTEE REGARDING TAX TREATMENT

15.1 Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Option under the Option Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Corporation and the Board make no guarantees to any person regarding the tax treatment of an Option or payments made under the Option Plan and none of the Corporation or any of its employees or representatives shall have any liability to an optionee with respect thereto.

16. INDEPENDENT ADVICE

16.1 Participants are encouraged to seek tax advice in respect of the grant and exercise of Options and the issuance of the resulting Shares. **Participants who are not employees, officers or directors of the Corporation (*i.e.* consultants and other service providers) should be aware that the tax consequences of being granted and exercising Options and selling Shares may be materially less favourable than the consequences to employees, officers and directors of the Corporation who are granted stock options as such and receive the benefit of the "stock option rules" under the *Income Tax Act* (Canada).**

17. APPROVALS

17.1 The Option Plan shall be subject to acceptance by the Exchange.

17.2 Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

SCHEDULE B

MADALENA ENERGY INC.
ADVANCE NOTICE BY-LAW

INTRODUCTION

The Corporation is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allowing shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

The purpose of this Advance Notice By-Law (the "**By-Law**") is to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors. This By-Law fixes a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

It is the position of the Corporation that this By-Law is in the best interests of the Corporation, its shareholders and other stakeholders. This By-Law will be subject to an annual review, and will reflect changes as required by securities regulatory agencies or stock exchanges, or so as to meet industry standards.

IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

1. Subject only to the provisions of the *Business Corporations Act* (Alberta) (the "**Act**") and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board of directors of the Corporation (the "Board") may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors. Such nominations may be made in the following manner:

   (a) by or at the direction of the Board, including pursuant to a notice of meeting;

   (b) by or at the direction or request of one or more shareholders of the Corporation pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of a meeting of the shareholders of the Corporation made in accordance with the provisions of the Act; or

   (c) by any person (a "**Nominating Shareholder**") who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this By-Law and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (ii) complies with the notice procedures set forth below in this By-Law.

2. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with paragraph 3 below) and in proper written form (in accordance with paragraph 4 below) to the Corporate Secretary of the Corporation at the principal executive offices of the Corporation.

3. To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:

(a) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10^{th}) day following the Notice Date; and

(b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15^{th}) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

The time periods for the giving of a Nominating Shareholder's notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting or special meeting of shareholders. However, in the event of any adjournment or postponement of a meeting of shareholders or the announcement thereof, a new time period shall commence for the giving of such notice.

4. To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must set forth:

(a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (iii) the citizenship of such person; (iv) the number of securities of each class or series of securities in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (v) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such person, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such person with respect to securities of the Corporation; (vi) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (vii) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

(b) as to the Nominating Shareholder giving the notice: (i) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (ii) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (iii) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (iv) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (v) full particulars regarding any proxy, contract,

agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (vi) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Corporation to (i) determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee, or (ii) satisfy the requirements of applicable stock exchange rules.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

5. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this By-Law; provided, however, that nothing in this By-Law shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairperson of the meeting. The Chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

6. For purposes of this By-Law:

   (a) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

   (b) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

7. Notwithstanding any other provision of this By-Law, notice given to the Corporate Secretary of the Corporation pursuant to this By-Law may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Corporate Secretary at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

8. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this By-Law.

9. This By-Law was approved and adopted by the Board effective December 15, 2014 (the "Effective Date") and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date. Notwithstanding the foregoing, if this By-Law is not approved by ordinary resolution of shareholders of the Corporation present in person or voting by proxy at the next meeting of those

shareholders validly held following the Effective Date, then this By-Law shall terminate and be void and of no further force and effect following the termination of such meeting of shareholders.

10. This By-Law shall be interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable in that province.

SCHEDULE C

MADALENA ENERGY INC.
MANDATE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The primary function of the audit committee (the "**Audit Committee**") of the board of directors (the "**Board of Directors**" or "**Board**") of Madalena Energy Inc. ("**Madalena**" or the "**Corporation**") is to assist the in fulfilling the Board's responsibilities by reviewing: (a) the financial reports and other financial information provided by Madalena to any governmental body or the public; (a) Madalena's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and (c) Madalena's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should endeavour to encourage continuous improvement of, and should endeavour to foster adherence to, the Corporation's policies, procedures and practices at all levels. In performing its duties, the external auditor of the Corporation is to report directly to the Audit Committee.

II. OBJECTIVES

The Audit Committee's primary objectives are:

1. to assist the Board to meet its responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;

2. to provide better communication between directors and external auditors;

3. to assist the Board's oversight of the auditor's qualifications and independence;

4. to assist the Board's oversight of the credibility, integrity and objectivity of financial reports;

5. to strengthen the role of the outside directors by facilitating discussions between directors on the Audit Committee, management and external auditors;

6. to assist the Board's oversight of the Corporation's compliance with legal and regulatory requirements; and

7. to review the risks that may affect Madalena and the risk management policies and procedures of the Corporation.

III. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors, none of whom are members of management of Madalena, except as otherwise permitted in National Instrument 52-110 ("**NI 52-110**"), all of whom are "independent" and "financially literate" (as such terms are defined in NI 52-110). Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. In addition, at least one member of the Audit Committee must have accounting or related financial management expertise, as the Corporation's Board of Directors interprets such qualification in its business judgment.

The members of the Audit Committee shall be appointed by the Board of Directors by resolution and remain as members of the Audit Committee until their successors are duly appointed. Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

IV. MEETINGS

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee should meet at least annually with management, internal auditors (if any) and the independent auditors to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. In addition, the Audit Committee or at least its Chair should meet with the independent auditors and management quarterly to review the Corporation's financial statements and MD&A consistent with Section V.4 below. The Audit Committee should also meet with management and independent auditors on an annual basis to review and discuss annual financial statements and the management's discussion and analysis of financial conditions and results of operations. Attached as Appendix "A" is an example of an annual meeting schedule/agenda.

A quorum for meetings of the Audit Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Audit Committee shall be the same as those governing the Board.

V. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall endeavour to:

Documents/Reports Review

1. Review and, if deemed appropriate, update this Mandate, at least annually, as conditions dictate.

2. Review and recommend to the Board the organization's annual and interim financial statements, MD&A, earnings press releases and review any reports or other financial information submitted to any governmental body or the public, including any certification, report, opinion or review rendered by the independent auditors.

3. Review the reports to management prepared by the independent auditors and management's responses.

4. Review with financial management and the independent auditors the quarterly financial statements prior to their filing or prior to the release of earnings. The Chair of the Audit Committee may represent the entire Audit Committee for purposes of this review.

5. Review significant findings during the year, including the status of previous significant audit recommendations.

6. Periodically assess the adequacy of procedures for the review of corporate disclosure that is derived or extracted from the financial statements.

7. Periodically discuss guidelines and policies to govern the processes by which the Chief Executive Officer and senior management assess and manage the Corporation's exposure to risk.

8. Report to the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements, performance and independence of the Corporation's auditors, or performance of the internal audit function.

9. Reviewing any inquiry or investigation by governmental or professional authorities respecting any independent audits carried out on the Corporation and any steps to deal with any such issues.

Independent Auditors

10. Recommend to the Board the external auditors to be nominated for appointment by the shareholders.

11. Approve the compensation of the external auditors.

12. On an annual basis, the Audit Committee should review and discuss with the auditors all significant relationships the auditors have with the Corporation to determine the auditors' independence.

13. Review and, as appropriate, resolve any material disagreements between management and the independent auditors and review, consider and make a recommendation to the Board regarding any proposed discharge of the auditors when circumstances warrant.

14. When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.

15. Periodically consult with the independent auditors, without the presence of management, about internal controls and the fullness and accuracy of the organization's financial statements.

16. Periodically assess the Corporation's internal controls, including Corporation's risk management processes.

17. Review the audit scope and plan of the independent auditor.

18. Oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Madalena.

19. Pre-approve the completion of any non-audit services by the external auditors and, with the assistance of the auditors, determine which non-audit services the external auditor is prohibited from providing. The Audit Committee may delegate to one or more members of the Audit Committee authority to pre-approve non-audit services in satisfaction of this requirement and if such delegation occurs, the pre-approval of non-audit services by the Audit Committee member to whom authority has been delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval. The Audit Committee shall be entitled to adopt specific policies and procedures for the engagement of non-audit services if:

    (a) the pre-approval policies and procedures are detailed as to the particular service;

    (b) the Audit Committee is informed of each non-audit service; and

    (c) the procedures do not include delegation of the Audit Committee's responsibilities to management.

The Audit Committee will satisfy the pre-approval requirement set forth in this paragraph if:

    (a) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by Madalena and its subsidiary entities to the auditors during the fiscal year in which the services are provided;

    (b) Madalena or a subsidiary entity, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

    (c) the services are promptly brought to the attention of the Audit Committee and approved, prior to completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.

Financial Reporting Processes

20. In consultation with the independent auditors, annually review the organization's financial reporting processes and the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

21. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors or management.

22. Review risk management policies and procedures of Madalena (i.e. litigation and insurance).

Process Improvement

23. Request reporting to the Audit Committee by each of management and the independent auditors of any significant judgments made in the management's preparation of the financial statements and the view of each group as to appropriateness of such judgments.

24. Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

25. Review any significant disagreements among management and the independent auditors in connection with the preparation of the financial statements.

26. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review may be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.)

27. Conduct and authorize investigations into any matters brought to the Audit Committee's attention and within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and to approve compensation for any independent counsel and other professionals to assist in the conduct of any investigation.

28. Review the systems that identify and manage principal business risks.

29. Assist with the establishment of a procedure for:

    (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

    (b) the confidential, anonymous submission by employees of Madalena of concerns regarding questionable accounting matters, auditing matters and matters set forth in Madalena's Code of Business Conduct and Ethics.

    which procedure shall be set forth in a "Whistle Blower Policy" to be adopted by the Board in connection with such matters.

Ethical and Legal Compliance

30. Assist with the establishment of:

    (a) a Code of Business Conduct and Ethics; and

(b) an Anti-Corruption Policy,

and ensure that management has established a system to enforce these materials.

31. Review management's monitoring of the Corporation's compliance with the Code of Business Conduct and Ethics and the Anti-Corruption Policy.

32. In consultation with the auditors, consider the review system established by management regarding the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public in the context of the applicable legal requirements.

33. On at least an annual basis, review with the Corporation's auditors or counsel, as appropriate, any legal matters that could have a significant impact on the organization's financial statements, the Corporation's compliance with applicable laws and regulations and inquiries received from regulators or government agencies.

Other

34. Perform any other activities consistent with this Charter, Madalena's by-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

35. In connection with the performance of its responsibilities as set forth above, the Audit Committee shall have the authority to engage outside advisors and to pay outside auditors and advisors.

Standards of Liability

Nothing contained in this mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of its Committees. The purposes and responsibilities outlined in this mandate and accompanying Board materials are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

APPENDIX A TO SCHEDULE C

Example of Audit Committee Meeting Agenda for Year

As noted previously, it is important to review the completeness of the Audit Committee charter as well as the agenda established for each meeting. The following is an example of topics that could be covered in each Audit Committee meeting. This example assumes a December year-end with four audit committee meetings scheduled in connection with quarterly earning releases.

		Scheduled Meetings			
		May	**August**	**November**	**April**
I.	**Audit Committee Purpose**				
	Conduct special investigations	*	*	*	*
II.	**Audit Committee Composition and Meetings**				
	Assess independence and financial literacy of Audit Committee				X
	Audit Committee Chair to establish meeting agenda				X
	Enhance financial literacy - update on current financial events	X	X	X	X
	Executive sessions with auditors, management, committee	X	X	X	X
III.	**Audit Committee Responsibilities and Duties**				
1.	Review mandate, publish relevant information in proxy				X
2.	Review annual financial statements - discuss with management, auditors				X
3.	Consider internal controls and financial risks				X
4.	Review quarterly results and findings	X	X	X	
5.	Recommend appointment of auditors				X
6.	Approve audit fees				X
7.	Discuss auditor independence				X
8.	Review auditor plan			X	X
9.	Discuss year-end results			X	X
10.	Discuss quality of accounting principles	*	*	*	X
11.	Review legal matters with counsel and auditors	*	*	*	X
12.	Prepare report to shareholders				X
13.	Perform other activities as appropriate	*	*	*	*
14.	Maintain minutes and report to Board of Directors	X	X	X	X
15.	Report on Code of Conduct and Whistleblower Policy	X	X	X	X
16.	Perform self-assessment of Audit Committee performances				X
17.	Review financial personnel succession planning				X
18.	Review director and officer expenses and related party transactions				X

X = Recommended Timing * = As Needed