A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the 1933 Act (as defined herein) or any state securities laws. Accordingly, these securities may not be offered or sold within the United States (as such term is defined in Regulation S under the 1933 Act)) except in accordance with the Underwriting Agreement (as defined herein) and pursuant to exemptions from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

This short form prospectus does not contain an offer or constitute any part of an offer to the public in the United Kingdom within the meaning of sections 85 and 102B of the United Kingdom Financial Services and Markets Act 2000 ("FSMA"), or otherwise, is not an approved prospectus for the purposes of section 85 of FSMA, and has not been (nor will be) delivered to the Financial Conduct Authority or delivered to or approved by any other authority which could be a competent authority for the purposes of Directive 2003/71/EC (as amended). This short form prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of section 86(7) of FSMA acting as principal or in circumstances to which section 86(2) of FSMA applies and that are also (a) investment professionals falling within Article 19 of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (b) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49 of the Order (each such person being referred to as a "relevant person"). This short form prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this short form prospectus or any of its contents.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Madalena Energy Inc. at Suite 200, 707 – 7 Avenue SW, Calgary, Alberta T2P 3H6, telephone (403) 262-1901, and are also available electronically at www.sedar.com. See "Documents Incorporated by Reference".*

PRELIMINARY SHORT FORM PROSPECTUS

New Issue January 28, 2014

$20,000,050
28,571,500 Common Shares

Price:
$0.70 per Common Share

This short form prospectus qualifies the distribution (the "**Offering**") of 28,571,500 common shares (the "**Firm Shares**") in the capital of Madalena Energy Inc. ("**Madalena**" or the "**Corporation**") at a price of $0.70 per Firm Share (the "**Offering Price**"). The Corporation's head office is located at Suite 200, 707 – 7 Avenue SW, Calgary, Alberta T2P 3H6, and its registered office is located at Suite 2400, 525 - 8 Avenue SW, Calgary, Alberta T2P 1G1. The Offering Price was determined by negotiation between the Corporation and Haywood Securities Inc., Mackie Research Capital Corporation and RBC Dominion Securities Inc. (collectively, the "**Co-Lead Underwriters**"), on their own behalf and on behalf of Beacon Securities Limited and National Bank Financial Inc. (collectively, with the Co-Lead Underwriters, the "**Underwriters**"). See "*Plan of Distribution*".

The issued and outstanding common shares in the capital of the Corporation (the "**Common Shares**") are listed on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "MVN". On January 27, 2014, the last trading day before the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was $0.64. The Corporation has made an application to the TSXV to list the Offered Shares (as defined herein) distributed under this short form prospectus on the TSXV. Such listing will be subject to the Corporation fulfilling all of the requirements of the TSXV.

	Price to Public	Underwriters' Fee[(1)]	Net Proceeds to the Corporation[(2)(3)]
Per Firm Share	$0.70	$0.042	$0.658
Total	$20,000,050	$1,200,003	$18,800,047

Notes:

(1) The Corporation has agreed to pay to the Underwriters an aggregate fee equal to 6.0% of the gross proceeds of the Offering (the "**Underwriters' Fee**").

(2) Before deducting expenses of the Offering, estimated to be $200,000 (exclusive of applicable taxes).

(3) The Corporation has also granted to the Underwriters an option (the "**Over-allotment Option**") to purchase up to an additional 4,285,725 Common Shares (the "**Option Shares**", together with the Firm Shares, the "**Offered Shares**") at the Offering Price and on the same terms and conditions as the Offering, exercisable from time to time and in whole or in part, at the sole discretion of the Underwriters, not later than 30 days after the closing of the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-allotment Option is exercised in full, the total price to the public, Underwriters' Fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be $23,000,057.50, $1,380,003.45 and $21,620,054.05, respectively. This short form prospectus also qualifies for distribution the grant of the Over-allotment Option and the issuance of the Option Shares pursuant to the exercise of the Over-allotment Option. See "*Plan of Distribution*". A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires such Common Shares pursuant to this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-allotment Option or secondary market purchases. Unless otherwise specified, all references herein to "Offered Shares" shall be read, as the context requires, to include the Option Shares.

Underwriters' Position	Maximum size or number of securities held	Exercise period	Exercise price
Over-allotment Option	4,285,725 Option Shares	Exercisable not later than 30 days after closing of the Offering	$0.70 per Option Share

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Burnet, Duckworth & Palmer LLP, and on behalf of the Underwriters by Dentons Canada LLP.

National Bank Financial Inc., one of the Underwriters, is a direct or indirect subsidiary of a Canadian chartered bank which is a lender to the Corporation, and with which the Corporation has a credit facility. In addition, the Corporation has engaged RBC Dominion Securities Inc. to act as Madalena's exclusive advisor to solicit interest in a joint venture or other transaction related to Madalena's Neuquén basin assets. Consequently, the Corporation may be considered to be a connected issuer of each of such Underwriters for the purposes of Canadian securities laws. See "*Relationship Between the Corporation and Certain Underwriters*".

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about February 11, 2014 or such other date as the Corporation and the Underwriters may agree, but in any event not later than the date that is 42 days after the date of the receipt for the final short form prospectus. Except in certain limited circumstances, including with respect to Offered Shares sold pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the "**1933 Act**"), which will be represented by individual, definitive certificates, the Offered Shares will be represented by a global certificate issued in registered form to the Canadian Depository for Securities Limited ("**CDS**") or its nominee, or will be directly deposited with CDS. A purchaser of Offered Shares will

receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Share is purchased. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail on the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

The Underwriters propose to offer the Offered Shares initially at the Offering Price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the Offering Price to investors from time to time in order to sell any Offered Shares remaining unsold. Any such reduction shall not affect the proceeds received by the Corporation. See "*Plan of Distribution*".

Each of Raymond Smith, a director of the Corporation, and Ryder Scott Company, L.P., one of the Corporation's independent reserves evaluators, is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada.

The person and company named below have appointed the following agents for service of process.

Name of Person or Company	Name and Address of Agent
Raymond Smith	Bellatrix Exploration Ltd. 1920, 800 – 5th Ave. S.W. Calgary, Alberta, Canada T2P 3T6
Ryder Scott Company, L.P.	Ryder Scott Canada Suite 600, 1015 – 4th St. S.W. Calgary, Alberta, Canada T2R 1J4

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

An investment in the Offered Shares is speculative and involves a high degree of risk. The risk factors identified under the headings "*Risk Factors*" and "*Special Note Regarding Forward-Looking Statements*" in this short form prospectus as well as the other factors considered under "*Risk Factors*" in the AIF (as defined herein), which is incorporated by reference herein, and other filings by Madalena with Canadian securities authorities should be carefully reviewed and evaluated by prospective subscribers before purchasing any Offered Shares. An investment in the Offered Shares is suitable for only those investors who are willing to risk a loss of their entire investment.

The Offered Shares may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Offered Shares in any jurisdiction where it is unlawful.

Unless otherwise indicated, all information in this short form prospectus assumes that none of the outstanding employee stock options of the Corporation or other securities convertible into or exchangeable for Common Shares are exercised.

In this short form prospectus, all dollar figures are in Canadian dollars.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS 1
ABBREVIATIONS, DEFINITIONS AND CONVERSION 3
NON-IFRS MEASURES 3
CERTAIN TAX CONSIDERATIONS 3
ELIGIBILITY FOR INVESTMENT 4
DOCUMENTS INCORPORATED BY REFERENCE 4
MARKETING MATERIALS 5
SUMMARY DESCRIPTION OF THE BUSINESS OF MADALENA ENERGY INC. 5
RECENT DEVELOPMENTS 6
CONSOLIDATED CAPITALIZATION 8
USE OF PROCEEDS 9
PLAN OF DISTRIBUTION 11
NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM 13
NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA 13
NOTICE TO PROSPECTIVE INVESTORS IN FRANCE 14
RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS 14
DESCRIPTION OF COMMON SHARES 15
PRIOR SALES 15
PRICE RANGE AND VOLUME OF TRADING OF THE COMMON SHARES 16
RISK FACTORS 16
INTERESTS OF EXPERTS 18
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION 18
CERTIFICATE OF MADALENA ENERGY INC. C-1
CERTIFICATE OF THE UNDERWRITERS C-2

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward-looking information. This information relates to future events or the Corporation's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Corporation's internal projections, estimates, expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking information attributed to third party industry sources. Madalena believes that the expectations reflected in this forward-looking information are reasonable; however, undue reliance should not be placed on this forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

This short form prospectus contains forward-looking information concerning the anticipated closing date of the Offering, the anticipated use of the net proceeds of the Offering, estimates or expectations for expenses of the Offering, the impact of the Argentina government's easing of currency restrictions on the Corporation's operations and overall business plan, timing for completing certain operations, plans to improve production, expectations of improved productive capacity and operational efficiencies, expectations of achieving commercial production from certain fields, the Corporation's capital expenditure program including drilling and completion plans, the timing for receiving permits and the sufficiency of existing working capital, cash flow and the net proceeds of the Offering to fund capital expenditures. The closing of the Offering could be delayed if Madalena is not able to obtain the necessary stock exchange approval or any other approvals required for completion of the Offering. The Offering will not be completed at all if these approvals are not obtained or, unless waived, some other condition to the closing is not satisfied. Accordingly, there is a risk that the Offering will not be completed within the anticipated time or at all. The Corporation intends to use the net proceeds of the Offering to fund the Corporation's capital program including certain drilling and completion plans and for general working capital purposes. See "*Use of Proceeds*". There may be circumstances that are not known to Madalena at this time where reallocations of net proceeds from this Offering may be advisable for business reasons that management believes are in the Corporation's best interest.

Forward-looking information contained in certain documents incorporated by reference into this short form prospectus is based on the key assumptions described in such documents. The reader is cautioned that such information, although considered reasonable by the Corporation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided in this short form prospectus and in the documents incorporated by reference herein as a result of numerous known and unknown risks and uncertainties and other factors which are discussed herein and in the documents incorporated herein by reference.

Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this short form prospectus and in certain documents incorporated by reference herein include, but are not limited to:

- general economic conditions in Canada, Argentina and globally;
- the ability of management to execute its business plan;
- fluctuations in the price of oil and natural gas, interest and exchange rates;
- risks associated with foreign operations, including changes in energy policies or personnel administering them, nationalization, currency fluctuations, exchange and export controls and royalty and tax rates;
- the risks of the oil and gas industry both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- governmental regulation of the oil and gas industry, including environmental regulation;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;

- geological, technical, drilling and processing problems;
- risks and uncertainties involving geology of oil and gas deposits;
- risks inherent in marketing operations, including credit risk;
- the ability to enter into, renew and/or extend leases and/or concessions;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- availability of sufficient financial resources to fund the Corporation's capital expenditures;
- uncertainty of finding reserves, developing and marketing those reserves;
- unanticipated operating events, which could reduce production or cause production to be shut in or delayed;
- the ability of management to identify and complete potential acquisitions and/or failure to achieve anticipated benefits from such acquisitions;
- delays in procuring services and equipment necessary to explore for and develop oil and natural gas in Argentina;
- termination of or failure to extend existing licenses by regulatory or governmental authorities;
- ability to locate satisfactory properties for acquisition or participation;
- shut-ins of connected wells resulting from extreme weather conditions;
- insufficient storage or transportation capacity;
- hazards such as fire, explosion, blowouts, cratering and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury;
- encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations;
- the ability to add production and reserves through development and exploration activities;
- the possibility that government policies or laws, including laws and regulations related to the environment and the protection of sovereign interests in petroleum assets, may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- uncertainties inherent in estimating quantities of oil and natural gas reserves and cash flows to be derived therefrom;
- failure to obtain industry partner and other third party consents and approvals, as and when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- the availability of capital on acceptable terms; and
- the other factors considered under "*Risk Factors*" in this short form prospectus and in the AIF (as defined herein), which is incorporated by reference herein, and other filings by Madalena with Canadian securities authorities.

In addition, please note that information relating to reserves is deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be economically produced in the future. With respect to forward-looking information contained or incorporated by reference in this short form prospectus, the Corporation has made assumptions regarding: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the costs of obtaining equipment and personnel to complete the Corporation's capital expenditure program; the ability to operate the fields in the Corporation's projects in a safe, efficient and effective manner; the ability of the Corporation to obtain financing on acceptable terms when and if needed; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration activities; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its oil and natural gas products. Management of

Madalena has included the above summary of assumptions and risks related to forward-looking information included in this short form prospectus and the documents incorporated by reference herein in order to provide potential purchasers of the Common Shares with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this short form prospectus, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement.

This forward-looking information is made as of the date of this short form prospectus, or in the case of documents incorporated by reference herein, as of the dates of such documents, and the Corporation disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable Canadian securities laws.

ABBREVIATIONS, DEFINITIONS AND CONVERSION

In this short form prospectus the following abbreviations and terms have the meanings indicated:

"**boe**" means barrels of oil equivalent.

"**mcf**" means thousand cubic feet.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"**Undeveloped**" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

The Corporation has adopted the standard of 6 mcf:1 boe when converting natural gas to barrels of oil equivalent. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

NON-IFRS MEASURES

Certain measures in this short form prospectus, which includes the documents incorporated by reference herein, do not have any standardized meaning as prescribed by International Financial Reporting Standards ("**IFRS**") and therefore are considered non-IFRS measures. These measures have been presented in the documents incorporated by reference into this short form prospectus in order to provide shareholders and potential investors with additional information regarding Madalena and may not be comparable to similar measures used by other companies. Please refer to the non-IFRS measures advisories in such documents for the definitions and descriptions of such terms.

CERTAIN TAX CONSIDERATIONS

Prospective investors should be aware that the purchase of Common Shares has tax consequences which are not described in this short form prospectus. Accordingly, prospective investors are advised to consult their own tax advisors with respect to the tax aspects of investing in, holding and disposing of the Common Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation and Dentons Canada LLP, counsel to the Underwriters, provided the Common Shares are listed on a designated stock exchange (which includes the TSXV) on the closing date of the Offering, Offered Shares acquired pursuant to the Offering on the closing date will be, at that time, qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (together, the "**Tax Act**"), as in effect on the date hereof, for registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**") (collectively, the "**Deferred Plans**").

Notwithstanding that the Offered Shares may be a "qualified investment", the holder of a TFSA or the annuitant under a RRSP or RRIF, as the case may be, that holds Offered Shares will be subject to a penalty tax if the Offered Shares are a "prohibited investment" for purposes of the Tax Act. The Offered Shares will generally not be a "prohibited investment" provided the holder or the annuitant, as the case may be, (i) deals at arm's length with the Corporation for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Corporation. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Corporation provided the holder or annuitant, or the holder or annuitant together with persons and partnerships with whom the holder or annuitant does not deal at arm's length, does not own (nor is deemed to own pursuant to the Tax Act), directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Corporation (all for purposes of the Tax Act). In addition, the Offered Shares generally will not be a "prohibited investment" if the Offered Shares are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF.

Prospective investors who intend to hold Offered Shares in Deferred Plans should consult their own tax advisors regarding their particular circumstances and requirements and rules regarding holding and transferring securities therein.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Finance and Chief Financial Officer of Madalena, at Suite 200, 707 – 7 Avenue SW, Calgary, Alberta T2P 3H6, Telephone (403) 262-1901. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com.

The following documents of Madalena, filed with the various securities commissions or similar authorities in each of the provinces of Canada where Madalena is a reporting issuer, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the amended annual information form of Madalena dated May 2, 2013 for the year ended December 31, 2012 (the "**AIF**");

(b) the consolidated audited financial statements of Madalena as at December 31, 2012 and December 31, 2011 and for the years ended December 31, 2012 and 2011, together with the notes thereto and the auditor's report thereon;

(c) management's discussion and analysis of the financial condition and results of operations of Madalena for the year ended December 31, 2012, dated as at April 26, 2013;

(d) the unaudited condensed consolidated interim financial statements as at September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012, together with the notes thereto;

(e) management's discussion and analysis of the financial condition and results of operations of the Corporation for the three and nine months ended September 30, 2013, dated as at November 28, 2013;

(f) the material change report of Madalena dated January 24, 2014 and filed on SEDAR on January 24, 2014 in connection with the Offering;

(g) the material change report of Madalena dated November 18, 2013 and filed on SEDAR on November 18, 2013 in respect of a public offering pursuant to a short form prospectus and concurrent "flow-through" private placement financing;

(h) the material change report of Madalena dated July 19, 2013 and filed on SEDAR on July 19, 2013 in respect of a private placement financing;

(i) the information circular – proxy statement of Madalena dated June 25, 2013 for the annual and special meeting of shareholders held on July 30, 2013; and

(j) the information circular – proxy statement of Madalena dated May 4, 2012 for the annual and special meeting of shareholders held on June 14, 2012.

Any documents of the type referred to above and required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference into a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements and comparative annual financial statements (together with the auditors' report thereon), management's discussion and analysis, business acquisition reports, annual information forms, and information circulars filed by Madalena, as the case may be, with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this short form prospectus.

SUMMARY DESCRIPTION OF THE BUSINESS OF MADALENA ENERGY INC.

Madalena is an independent, Canadian-based, domestic and international upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.

Internationally, Madalena holds three blocks within the Neuquén basin in Argentina comprised of approximately 135,000 net acres on the Coiron Amargo (approximately 35,000 net acres), Curamhuele (approximately 50,500 net acres) and Cortadera (approximately 49,500 net acres) blocks. Domestically, Madalena's core area of operations is located in the Greater Paddle River area of west-central Alberta, where the Corporation holds approximately 200 gross (155 net) sections of land (78% average working interest).

Madalena's principal office is located at Suite 200, 707 – 7 Avenue SW, Calgary, Alberta T2P 3H6 and its registered office is located at 2400, 525 - 8 Avenue SW, Calgary, Alberta T2P 1G1.

Madalena is a reporting issuer in each of the provinces of Canada (except Quebec) and the Common Shares trade on the TSXV under the symbol "MVN".

See also "*General Development of the Business*" and the "*Description of the Business and Operations*" in the AIF.

Inter-corporate Relationships

The Corporation owns 100% of the outstanding common shares of Madalena Ventures International Holding Company Inc., which in turn owns 100% of the outstanding common shares of Madalena Ventures International Inc ("**MVII**"). Both of these companies are incorporated under the laws of Barbados. Madalena also owns 90% of the outstanding common shares of Madalena Austral S.A. ("**MVA**") and MVII owns 10% of the outstanding common shares of MVA. Madalena carries on all of its exploration and development activities in Argentina through MVA.

Reserves Matters

As stated in the AIF, Madalena's total Proved plus Probable ("**P+P**") reserves were 3.894 million boe pursuant to Madalena's reserves evaluations for the year-ended December 31, 2012 (the "**2012 Reserves Reports**"), representing a 149% increase from Madalena's 2011 year end P+P reserves. Included in the 2012 Reserves Report was: (a) a negative technical revision of 431.0 thousand boe, which related to Proved reserves; and (b) a negative technical revision of 865.2 thousand boe, which related to P+P reserves, both attributable to the Corporation's Argentina properties.

When Madalena's reserves evaluation for the year-ended December 31, 2011 was prepared by the Corporation's previous third party evaluator (the "**2011 Reserves Report**"), the vertical wells on Madalena's Argentina properties had been producing for a short period of time and there were six Proved Undeveloped ("**PUD**") locations included in the 2011 Reserves Report. P+P reserves in the 2011 Reserves Report were determined by volumetric calculations utilizing certain reserve recovery factors and well performance characteristics. When preparing the 2012 Reserves Reports, production data in Argentina was obtained from the existing vertical wells, which demonstrated lower production rates and higher decline rates than expected compared to the assumptions used in the 2011 Reserves Report. Accordingly, new assumptions were established for evaluation purposes for the 2012 Reserves Report. The number of PUD locations was also reduced to three (from the six previously booked) for purposes of the 2012 Reserves Reports. As a result, the above referenced negative technical revisions were included in the 2012 Reserves Reports.

RECENT DEVELOPMENTS

Joint Venture Process

On November 12, 2013, the Corporation announced that it continues to work towards a joint venture with respect to its 90% Curamhuele block in the Neuquén basin in Argentina and that RBC Dominion Securities Inc., Madalena's exclusive advisor related to its Neuquén basin assets, is in communication with a number of parties to solicit interest in a joint venture or other transaction with the Corporation. The Corporation cautions that there are no assurances that an acceptable joint venture arrangement or other transaction will be reached.

Block Extension

The Coiron Amargo block in the Neuquén basin in Argentina (35% working interest) held by Madalena is divided into two regions called Coiron Amargo Norte (the northern portion of the block) and Coiron Amargo Sur (the southern portion of the block).

On November 12, 2013, the Corporation announced that, following an application and approval process by Madalena and its partners over the past several months, the exploration period for the southern portion of the Coiron Amargo block (35% working interest) held by Madalena (Coiron Amargo Sur) was extended by way of an official decree signed by the Province of Neuquén in Argentina. This one year extension until November 8, 2014 provides Madalena with the flexibility to satisfy the remaining work commitments on the block, versus the previous deadline of November 7, 2013. The remaining work commitments in Coiron Amargo (North and South) are estimated at approximately USD$6.3 million plus VAT (net to Madalena) as of September 30, 2013.

Private Placement

On November 21, 2013, the Corporation issued, on a private placement basis, 5,555,556 Common Shares as "Canadian Development Expense" "flow-through shares" ("**CDE Flow-Through Shares**") (within the meaning of those terms in the Tax Act) at a price of $0.54 per CDE Flow-Through Share for aggregate gross proceeds of $3.0 million (the "**Private Placement**").

Increased Capital Budget

On November 28, 2013, Madalena announced that it had increased its 2013 capital budget to $42 million. The increased budget was primarily allocated to operations on the Corporation's Ostracod oil project.

Public Offering

On December 5, 2013, the Corporation announced that it had closed a bought deal short form prospectus offering (the "**December Offering**"). Pursuant to the December Offering, the Corporation issued an aggregate of 19,575,300 Common Shares at an issue price of $0.47 per Common Share, including 2,553,300 Common Shares issued pursuant to the exercise of the over-allotment option in full by the underwriters, for aggregate gross proceeds of $9.2 million.

Coiron Amargo Block

On December 27, 2013, the Corporation announced that the CAN.xr-2(h) well was recently re-entered and drilled horizontally in the Sierras Blancas light oil reservoir to a total measured depth of 3,751 meters with a horizontal lateral section of approximately 530 meters in length. This horizontal well was subsequently cased and completed with a 3.5" slotted liner and a multi-rate production test was carried out through temporary production facilities.

On January 15, 2014, the Corporation announced that it had recently reached a total depth of 3,163 meters on the CAS.x-15 vertical well targeting the Vaca Muerta shale. The CAS.x-15 well is located in the southern portion of the Coiron Amargo block within the oil window and the well has been cased with approximately 114 meters of Vaca Muerta shale on logs. Completion and testing operations are now planned for the first quarter of 2014 to evaluate this well. The Corporation further announced that the drilling rig which has just finished drilling the CAS.x-15 well will now move to the CAN-15(h) lease site to commence drilling operations on the Corporation's second Sierras Blancas horizontal.

Cortadera Block

On January 15, 2014, the Corporation announced that, on the Cortadera Block, the joint venture signed an amended contract agreement on September 24, 2013 to formalize a multi-year agreement for the extension of the initial exploration period and inclusion of subsequent exploration periods. Following an application and approval process, the first exploration period for Cortadera had been extended by way of an official decree signed by the Province of Neuquén in Argentina. This extension provides the partnership until October 26, 2014 to satisfy the remaining work

commitments on the block which involves the upcoming re-entry work, whereby, in the first quarter of 2014, Madalena and its partner plan to re-enter the previously drilled CorS.x-1 Vaca Muerta test well to evaluate an up hole zone of interest in the wellbore.

Under the amended agreement, and subsequent to conducting the upcoming re-entry work, the partnership at Cortadera has the option to enter into subsequent exploration periods involving a second exploration period extending to October 25, 2018 and a third exploration period extending to October 25, 2021, or extend the Cortadera block through potential further evaluation and/or exploitation phases.

The decree stipulates that Gas y Petroleo del Neuquén SA (the Neuquén provincial petroleum company) upwardly revised its carried working interest in the block to 15% from the previous 10%, resulting in a proportionate reduction of Madalena's working interest in the block to 37.7778% compared to its previous 40% working interest.

West-Central Alberta

On January 15, 2014, Madalena announced that, in the greater Paddle River area, the Corporation drilled two additional (1.92 net) Ostracod horizontal wells in the month of December 2013. Both wells successfully encountered their targeted oil zones and multi-port production liners were run in the horizontal lateral sections. It is currently anticipated that these two wells will be multi-stage fracture stimulated, tested and potentially placed on production in the first quarter of 2014.

The Corporation further announced that it had completed its evaluation of the Nordegg horizontal well (100% working interest) at 15-12-55-9W5. Completion and testing operations ultimately did not result in meaningful hydrocarbon production and the wellbore had been suspended. There were no reserves assigned to the 15-12 Nordegg horizontal in Madalena's 2012 year-end reserves evaluation. The Corporation's Canadian exploration and evaluation assets at December 31, 2013 have yet to be determined and are expected to be adjusted accordingly, if required, in conjunction with the preparation of the year-end financial statements.

Recent Developments of the Argentina Peso

On January 27, 2014, the Corporation announced that it does not anticipate the Argentina government’s recently announced easing on currency restrictions to have a significant impact on Madalena’s operations and overall business plan in Argentina. While the Corporation operates in both Canada and Argentina, virtually all of its cash resources are maintained in Canada. Funding of the capital expenditure program in Argentina is provided on an as needed basis from Canada. In addition, Madalena receives US$ pricing for the sale of its oil and gas production in Argentina.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Madalena as at December 31, 2013, both before and after giving effect to this Offering.

	As at December 31, 2013 before giving effect to the Offering[(1)] (unaudited)	As at December 31, 2013 after giving effect to the Offering[(2)] (unaudited)	As at December 31, 2013 after giving effect to the Offering (assuming the full exercise of the Over-allotment Option)[(3)] (unaudited)
Shareholder Capital			
Common Shares	$159,729,616 (364,028,506 Common Shares)	$178,329,663 (392,600,006 Common Shares)	$181,149,670 (396,885,731 Common Shares)

Notes:

(1) Includes the issuance of 19,575,300 Common Shares pursuant to the December Offering for aggregate gross proceeds to the Corporation of $9,200,391 less fees and expenses of approximately $636,982.58, the issuance of 5,555,556 CDE Flow-Through Shares pursuant to the Private Placement for gross proceeds of $3,000,000.24 less fees of approximately $180,000 and the issuance of 200,000 Common Shares pursuant to the exercise of stock options for gross proceeds of $84,000.

(2) Based on the issuance of 28,571,500 Firm Shares pursuant to the Offering for aggregate gross proceeds to the Corporation of $20,000,050 less the Underwriters' Fee of $1,200,003 and estimated expenses of the Offering of $200,000.

(3) If the Over-allotment Option is exercised in full, an aggregate of 32,857,225 Offered Shares will be issued pursuant to the Offering and the aggregate gross proceeds, Underwriters' Fee and net proceeds (including the estimated expenses of the Offering of $200,000) to the Corporation will be $23,000,057.50, $1,380,003.45 and $21,420,054.05, respectively. The dollar value in the above table includes the net proceeds from the Offering after deducting estimated expenses of the Offering of $200,000.

(4) The Corporation has an undrawn credit facility consisting of a revolving operating demand loan to a maximum of $10 million with interest charged at the bank's prime rate plus 1.0% per annum and an acquisition / development demand loan to a maximum of $3 million with interest charged at the bank's prime rate plus 1.25% per annum (collectively, the "**Credit Facility**").

(5) As of the last trading day before the filing of this short form prospectus, 20,229,999 options issued pursuant to the Corporation's stock option plan were outstanding at exercise prices between $0.105 and $0.96.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Offered Shares hereunder are estimated to be $18,600,047 after deducting the Underwriters' Fees of $1,200,003 and the estimated expenses of the Offering of $200,000. See "*Plan of Distribution*". If the Over-allotment Option is exercised in full, the net proceeds from the sale of the Offered Shares hereunder are estimated to be $21,420,054.05 after deducting the Underwriters' Fee of $1,380,003.45 and the estimated expenses of the Offering of $200,000.

The net proceeds of the Offering are proposed to be used to fund further development of Madalena's capital expenditure program in Argentina and Canada and for general corporate and working capital purposes. Madalena expects the proceeds to be allocated in the following manner:

Use of Proceeds	*Amount of Proceeds*	*Amount of Proceeds (assuming full exercise of Over-allotment Option)*
Capital Expenditure Program		
CANADA		
Paddle River Area, Alberta, Canada		
Drill, complete and equip two wells- 100% working interest	***$5,800,000*** *(Approximately 29%)*	***$5,800,000*** *(Approximately 25%)*
ARGENTINA		
Coiron Amargo Block, Argentina		
Drill, complete and equip two / three horizontal Sierras Blancas wells on the northern block – 35% working interest	*$7,000,000 (Approximately 35%)*	*$10,000,000 (Approximately 43%)*
Drill and complete one Vaca Muerta exploration well on the southern block – 35% working interest	*$3,000,000 (Approximately 15%)*	*$3,000,000 (Approximately 13%)*
Curamhuele Block, Argentina	*$2,600,000*	*$2,600,000*
Shoot 3 D seismic program – 90% working interest	*(Approximately 13%)*	*(Approximately 11%)*
TOTAL ARGENTINA	**$12,600,000** *(Approximately 63%)*	**$15,600,000** *(Approximately 68%)*
TOTAL CAPITAL EXPENDITURE PROGRAM	**$18,400,000** *(Approximately 92%)*	**$21,400,000** *(Approximately 93%)*
Working Capital	**$200,047 (Approximately 1%)**	**$20,055 (Approximately 0%)**
Underwriters' Fee	**$1,200,003 (6.0%)**	**$1,380,003 (6.0%)**
Expenses of the Offering	**$200,000 (Approximately 1%)**	**$200,000 (Approximately 1%)**
TOTAL	**$20,000,050**	**$23,000,058**

The use of the net proceeds of the Offering by the Corporation is consistent with the Corporation's stated business objectives and strategic goals of the exploration for and development and appraisal of oil and natural gas projects. Other than the successful completion of the Offering, there is no particular significant event or milestone that must occur for the Corporation's business objectives to be accomplished. Upon completion of the Offering, the Corporation will be positioned to further its business objectives of exploration, appraisal and development of its oil and gas assets.

While Madalena believes that it has the skills and resources necessary to accomplish its stated business objectives and strategic goals, participation in the exploration for and development and appraisal of oil and natural gas has a number of inherent risks. See "*Risk Factors*".

In addition, the Corporation has negative cash flow from operating activities for the year ended December 31, 2012. Although the Corporation believes that its existing cash resources will be sufficient to cover future negative cash flow from operations, if it is not sufficient then the proceeds of the Offering may be used to fund such negative cash flow from operations. See "*Risk Factors*".

The above referenced use of the net proceeds of the Offering is based on the estimates of management for the cost of these initiatives as of the date hereof. Such estimates may change over time and while the Corporation intends to use the net proceeds as stated above, there may be circumstances that are not known at this time where a reallocation

of the net proceeds may be advisable for business reasons that management believes are in the Corporation's best interests.

PLAN OF DISTRIBUTION

Under an agreement dated effective January 22, 2014 (the "**Underwriting Agreement**") between the Corporation and the Underwriters, the Corporation has agreed to issue and sell and the Underwriters have, severally and not jointly and severally, agreed to purchase on February 11, 2014, or such other date as may be agreed to between the Corporation (but in any event not later than the date that is 42 days after the date of the receipt for the short form prospectus) and the Underwriters an aggregate of 28,571,500 Firm Shares at a price of $0.70 per Firm Share payable in cash to the Corporation against delivery. The obligations of the Underwriters under the Underwriting Agreement are several and not joint and several and, may be terminated at their discretion on the occurrence of certain events. The Underwriting Agreement provides that the Corporation shall pay the Underwriters' Fee of 6.0% of the gross proceeds of the Offering, or $0.042 per Firm Share, resulting in net proceeds to the Corporation of $18,800,047.00 (without exercise of the Over-allotment Option or deducting expenses of the Offering).

Madalena has granted to the Underwriters the Over-allotment Option to purchase up to 4,285,725 Option Shares in addition to the Firm Shares at a price of $0.70 per Option Share on the same terms and conditions as the Offering, exercisable from time to time at the sole discretion of the Underwriters, in whole or in part, up to 30 days after closing of the Offering. If the Over-allotment Option is exercised in full, the total Offering, the Underwriters' Fee and the net proceeds of the Offering (before deducting the expenses of the Offering) will be $23,000,057.50, $1,380,003.45 and $21,620,054.05, respectively. This short form prospectus also qualifies for distribution the grant of the Over-allotment Option and the issuance of the Option Shares pursuant to the exercise of the Over-allotment Option.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The obligations of the Underwriters under the Underwriting Agreement are several and not joint and several and may be terminated upon the occurrence of certain stated events. Such events include, but are not limited to: (i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Shares or the Common Shares is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the TSXV or any other competent authority, and such order or proceeding has not been rescinded, revoked or withdrawn; (ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of its directors or senior officers is announced, commenced or threatened by any securities commission or similar regulatory authority, the TSXV or any other competent authority or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the sole opinion of the Underwriters or any one of them, acting reasonably, the change, announcement, commencement or threatening thereof adversely affects the trading, distribution or marketability of the Offered Shares; (iii) there shall have occurred or be discovered any adverse change, as determined by the Underwriters or any one of them in their sole discretion, acting reasonably, in the business, operations, capital or condition (financial or otherwise), of the Corporation or its properties, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) or there shall be discovered any previously undisclosed material fact required to be disclosed in the preliminary short form prospectus, final short form prospectus or any amendment thereto or there should occur a change in any material fact contained in the preliminary short form prospectus, final short form prospectus or amendment thereto in each case which in the sole opinion of the Underwriters or any one of them, acting reasonably, would reasonably be expected to have a material adverse effect on the market price, value or marketability of the Offered Shares; (iv) there should develop, occur or come into effect or existence, or be announced any event, action, state, condition or occurrence of national or international consequence, or any law, action, regulation or other occurrence of any nature whatsoever, which, in the sole opinion of the Underwriters or any one of them, acting reasonably, seriously adversely affects or involves, or will seriously adversely affect or involve, the financial markets generally or the business, operations or affairs of the Corporation; (v) the Underwriters shall become aware of any material information with respect to the Corporation which had not been publicly disclosed or disclosed in writing to the Underwriters at or prior to the date of the Underwriting Agreement and which in the sole opinion of the Underwriters or any one of them, acting reasonably, would be expected to have a material adverse effect on the market price or value of the Offered Shares or the marketability of the Offered Shares; or (vi) the Corporation shall be in breach of, default under or non-compliance with any representation, warranty, covenant, term or condition of

the Underwriting Agreement in any material respect. If an Underwriter fails to purchase the Firm Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Firm Shares on a *pro rata* basis. The Underwriters are, however, obligated to take up and pay for all Offered Shares if any are purchased under the Underwriting Agreement. Nothing in the Underwriting Agreement obligates the Corporation to sell less than all of the Offered Shares which the Underwriters have agreed to purchase under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their respective affiliates, and each of their respective agents, partners, directors, officers and employees, and each shareholder of the Underwriters, against certain liabilities and expenses in connection with the Offering.

Pursuant to rules and policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, provided the bid or purchase is not engaged in for the purpose of creating actual or apparent trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSXV relating to market stabilization and passive market-making activities. In connection with the Offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels above those which might otherwise prevail in the open market, including by way of over-allotments and the exercise of the Over-allotment Option. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Offered Shares initially at the Offering Price specified on the cover page of this short form prospectus. After reasonable efforts have been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling prices to investors from time to time in order to sell any of the Offered Shares remaining unsold. In the event the Offering Price of the Offered Shares is reduced, the compensation received by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to the Corporation for the Offered Shares. Any such reduction will not affect the proceeds received by the Corporation.

The Corporation has agreed that, from the effective date of the Underwriting Agreement and ending on the date that is 90 days following the closing of the Offering, it will not offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior consent of the Co-Lead Underwriters, on behalf of the Underwriters, not to be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may, without such consent, grant options to directors, officers, consultants or employees of the Corporation, issue Common Shares on exercise of options under the Corporation's stock option plan, and issue securities to acquire oil and gas assets.

The Corporation has made an application to the TSXV to list the Offered Shares distributed under this short form prospectus on the TSXV. Such listing will be subject to the Corporation fulfilling all of the requirements of the TSXV.

The Offered Shares offered hereby have not been and will not be registered under the 1933 Act, or any state securities laws, and accordingly may not be offered or sold within the United States (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to "qualified institutional buyers" (as defined in Rule 144A under the 1933 Act) ("**Rule 144A**") in the United States, provided such offers and sales are made in transactions in accordance with Rule 144A and applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the 1933 Act.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The Offered Shares may not be offered to the public in the United Kingdom. This short form prospectus does not contain an offer or constitute any part of an offer to the public in the United Kingdom within the meaning of sections 85 and 102B of the United Kingdom *Financial Services and Markets Act 2000* ("**FSMA**"), or otherwise, is not an approved prospectus for the purposes of section 85 of FSMA, and has not been (nor will be) delivered to the Financial Conduct Authority or delivered to or approved by any other authority which could be a competent authority for the purposes of the Directive 2003/71/EC (as amended).

This short form prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of section 86(7) of FSMA acting as principal or in circumstances to which section 86(2) of the FSMA applies and that are also (a) investment professionals falling within Article 19 of the United Kingdom *Financial Services and Markets Act 2000 (Financial Promotion) Order 2005*, as amended (the "**Order**") or (b) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49 of the Order (each such person being referred to as a "**relevant person**"). This short form prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this short form prospectus or any of its contents. Each purchaser of Offered Shares in the United Kingdom will be deemed to have represented to Madalena and the Underwriters, and acknowledges that each of Madalena and the Underwriters is relying on such representation, that they satisfy the criteria to be a relevant person.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

For purposes of this notice, the expression an "offer to the public" in relation to any Offered Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Offered Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offered Shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended from time to time) and includes any relevant implementing measure in each relevant member state.

In relation to each member state of the European Economic Area, other than France and the United Kingdom, that has implemented the Prospectus Directive (each, a "relevant member state"), with effect from, and including, the date on which the Prospectus Directive is implemented in the relevant member state, an offer to the public of any Offered Shares which are the subject of this Offering may not be made in that relevant member state prior to the publication of a prospectus in relation to such Offered Shares that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that an offer to the public in that relevant member state of Offered Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

a. to legal entities which are authorized or regulated to operate in the financial markets;

b. to other "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive;

c. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Representatives for any such offer; or

d. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offered Shares shall result in a requirement for the publication by Madalena or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Offered Shares described in this short form prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

The sellers of the Offered Shares have not authorized and do not authorize the making of any offer of the Offered Shares through any financial intermediary on their behalf, other than offers made by the Underwriters and their respective affiliates with a view to the final placement of the Offered Shares as contemplated in this short form prospectus. Accordingly, no purchaser of the Offered Shares, other than the Underwriters and their respective affiliates, is authorized to make any further offer of the Offered Shares on behalf of the sellers or the Underwriters.

NOTICE TO PROSPECTIVE INVESTORS IN FRANCE

Neither this short form prospectus nor any other offering material relating to the Offered Shares described in this short form prospectus has been submitted to the clearance procedures of the *Autorité des marchés financiers* or by the competent authority of another member state of the European Economic Area and notified to the *Autorité des marchés financiers*. The Offered Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this short form prospectus nor any other offering material relating to the Offered Shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Offered Shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restraint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*; or
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des marches financiers*, does not constitute a public offer (*appel public à l'épargne*).

The Offered Shares may be resold, directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS

National Bank Financial Inc., one of the Underwriters, is a direct or indirect subsidiary of a Canadian chartered bank, which is a lender to the Corporation under the Credit Facility. In addition, the Corporation has engaged RBC Dominion Securities Inc. to act as Madalena's exclusive advisor to solicit interest in a joint venture or other transaction related to Madalena's Neuquén basin assets. Consequently, the Corporation may be considered to be a connected issuer of each of such Underwriters for the purposes of Canadian securities laws. As a consequence of the Offering, National Bank Financial Inc. and RBC Dominion Securities Inc. will each receive its respective share of the Underwriters' Fee.

Security for the Credit Facility is provided by way of a charge over the Canadian petroleum and natural gas assets of the Corporation. The Credit Facility includes a working capital ratio covenant, whereby the Corporation's working capital deficiency (excluding any unrealized hedging gains or losses) may not exceed $10 million. Standby fees associated with the Credit Facility are 0.25% per annum on the undrawn portion. The Credit Facility is subject to a periodic review by the bank and the next review is scheduled on or before May 1, 2014. The Credit Facility was unutilized at September 30, 2013 and is unutilized as at the date hereof. The Corporation is in compliance with all material terms of the agreement governing the Credit Facility and the lender under the Credit Facility has waived any breach by the Corporation thereunder since its execution. Neither the Corporation's financial position nor the value of the security under the Credit Facility has materially changed, in an adverse manner, since the Credit Facility

was executed. As the Credit Facility is a demand loan, it may be called at any time. Accordingly, there is no assurance that the Credit Facility will be renewed when the current scheduled review is completed.

The decision to distribute the Offered Shares hereby and the determination of the terms of distribution were made through negotiations between the Corporation and the Co-Lead Underwriters, on behalf of the Underwriters. The lender under the Credit Facility did not have any involvement in such decision or determination; however, such lender has been advised of the issuance and the terms thereof.

DESCRIPTION OF COMMON SHARES

Madalena is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date hereof, there are 364,028,506 Common Shares issued and outstanding. See *"Consolidated Capitalization*". Holders of Common Shares are entitled to one vote per Common Share at meetings of shareholders. Holders of Common Shares are entitled to dividends if, as and when declared by the Board of Directors of Madalena and upon liquidation, dissolution or winding up to receive, Madalena's remaining property.

PRIOR SALES

The following table summarizes the issuances of Common Shares or securities convertible into Common Shares in the 12 month period prior to the date hereof.

Date	Securities	Number of Securities	Price per Security
February 8, 2013	Common Shares upon exercise of stock options	83,700	$0.105
February 8, 2013	Common Shares upon exercise of stock options	500,000	$0.21
March 4, 2013	Issuance of stock options[(1)]	1,260,000	$0.405[(2)]
March 4, 2013	Common Shares upon exercise of stock options	200,000	$0.105
March 4, 2013	Common Shares upon exercise of stock options	750,000	$0.21
March 5, 2013	Common Shares upon exercise of stock options	100,000	$0.21
March 19, 2013	Common Shares upon exercise of stock options	150,000	$0.21
May 13, 2013	Common Shares upon exercise of stock options	250,000	$0.21
May 28, 2013	Common Shares upon exercise of stock options	500,000	$0.21
July 11, 2013	Common Shares[(3)]	200,000	$0.31
July 11, 2013	CDE flow-through Common Shares[(3)]	4,780,000	$0.32
July 11, 2013	CEE flow-through Common Shares[(3)]	16,651,765	$0.34
August 1, 2013	Common Shares upon exercise of stock options	50,000	$0.21
August 27, 2013	Issuance of stock options[(1)]	6,000,000	$0.35[(2)]
September 19, 2013	Common Shares upon exercise of stock options	25,000	$0.105
September 19, 2013	Common Shares upon exercise of stock options	150,000	$0.21
October 19, 2013	Common Shares upon exercise of stock options	200,000	$0.42
November 21, 2013	CDE Flow-Through Shares issued pursuant to the Private Placement	5,555,556	$0.54
December 5, 2013	Common Shares issued pursuant to the December Offering	19,575,300	$0.47

Notes:

(1) As of the last trading day before the filing of this short form prospectus, 20,229,999 options issued pursuant to the Corporation's stock option plan were outstanding at exercise prices between $0.105 and $0.96.

(2) Reflects the exercise price of the options granted.

(3) On July 11, 2013, Madalena issued the following securities pursuant to certain private placement financings: (a) 200,000 Common Shares at a price of $0.31 per share; (b) 4,780,000 common shares issued as "Canadian development expense flow-through shares" within the meaning of the Tax Act at a price of $0.32 per share; and (c) 16,651,765 Common Shares issued as "Canadian exploration expense flow-through shares" within the meaning of the Tax Act at a price of $0.34 per share.

PRICE RANGE AND VOLUME OF TRADING OF THE COMMON SHARES

The following table sets out the high and low trading prices and aggregate volume of trading of the Common Shares, as applicable, on the TSXV from January 1, 2013 until January 27, 2014.

Period	High ($)	Low ($)	Volume
2013			
January	0.41	0.29	17,132,775
February	0.45	0.36	17,585,908
March	0.42	0.33	8,100,214
April	0.38	0.24	24,874,244
May	0.48	0.29	45,851,352
June	0.39	0.26	20,199,848
July	0.38	0.27	13,958,524
August	0.42	0.34	13,252,014
September	0.50	0.36	29,994,439
October	0.60	0.45	28,391,955
November	0.57	0.45	25,818,010
December	0.73	0.48	42,758,480
2014			
January (1 - 27)	0.83	0.61	39,526,208

On January 27, 2014, the last trading day on which the Common Shares traded prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was $0.64.

RISK FACTORS

An investment in the Common Shares is speculative and subject to certain risks. An investor should consider carefully the risk factors described below and the risk factors set out at pages 46 through 60 inclusive in the AIF and at pages 16 through 18 inclusive in the Corporation's MD&A for the year ended December 31, 2012. In addition, investors should carefully review and consider all other information contained in this short form prospectus together with all other information included or incorporated by reference in this short form prospectus, before making an investment decision and consult their own experts where necessary.

Use of Proceeds

The Corporation currently intends to allocate the proceeds received from the Offering as described under "*Use of Proceeds*" in this short form prospectus. However, management will have discretion in the actual application of the proceeds, and may elect to allocate proceeds differently from that described in "*Use of Proceeds*" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

In addition, the Corporation has negative cash flow from operating activities for each of: (a) the year ended December 31, 2012; and (b) the three and nine months ended September 30, 2013. Although the Corporation believes that its existing cash resources will be sufficient to cover future negative cash flow from operations, if it is not sufficient then the proceeds of the Offering may be used to fund such negative cash flow from operations.

Risks of Argentinean Operations

As the Corporation has oil and gas properties and operations located in Argentina, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies or the personnel administering them, nationalization, currency fluctuations, exchange controls, and royalty and tax increases. The Corporation's business, financial condition, results of operations, and the value of the Common Shares could also be

materially adversely affected by social instability in Argentina and other factors which are not within the control of the Corporation including, among other things, the risks of terrorism, civil strikes, abduction, renegotiation or nullification of existing concessions and contracts, economic sanctions, the imposition of specific drilling obligations, and the development and abandonment of fields. The Corporation's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's operations in Argentina, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities in Argentina could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Additional Funding Requirements

Madalena's cash flow from its oil and gas production, in addition to its current working capital and the net proceeds from the Offering, may not be sufficient to fund its planned capital expenditures to the extent that cash flow is lower than expected or that the costs associated with such capital expenditures are greater than expected. In addition, if the Corporation does decide to proceed with an acquisition a portion of the net proceeds from the Offering may be used as consideration for such acquisition and, as a result, the Corporation may require additional funding to proceed with planned capital expenditures on its current properties and on any properties acquired pursuant to such acquisition. Failure to obtain such financing on a timely basis could cause Madalena to forfeit its interest in certain properties, be unable to capitalize on certain acquisition opportunities and reduce or terminate its operations. If Madalena's revenues from its oil and gas production decrease as a result of lower oil and natural gas prices or otherwise, it will affect Madalena's ability to expend the necessary capital to replace its reserves or to maintain its production. If Madalena's cash flow from operations, current working capital and the net proceeds of the Offering are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Madalena.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Special Note Regarding Forward-Looking Statements*". In addition, the market price for securities on stock markets, including the TSXV, is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market price of the Common Shares.

Additional and Unforeseen Capital Costs

Although Madalena intends to use the net proceeds from the Offering for exploration, appraisal and development on oil and gas assets in its core areas in Argentina and the Paddle River Area, Alberta, and to produce from such assets, Madalena may not be able to accurately estimate the cost of these initiatives. There could be unforeseen costs and expenses with such appraisal and development and the Corporation could require additional capital to implement its plan.

Joint Venture

The Corporation cautions that, notwithstanding the ongoing efforts to work towards a joint venture with respect to Madalena's 90% Curamhuele block in the Neuquén basin in Argentina and the fact that RBC Dominion Securities

Inc., Madalena's exclusive advisor related to its Neuquén basin assets, is in communication with a broad spectrum of parties to solicit interest in a joint venture or other transaction with the Corporation, there are no assurances that an acceptable joint venture arrangement or other transaction will be reached.

Initial Well Rates Are Not Determinative of Future or Continuing Production Rates

Any references in this short form prospectus or the documents incorporated by reference herein to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes behind pipe and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. In addition, much of the Corporation's assets are comprised of resource plays and, like many other projects where operators deploy similar operational approaches to those utilized by the Corporation, may be subject to high initial decline rates of production and pressure. Such production rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned: (a) not to place reliance on such rates in calculating the aggregate production for Madalena; and (b) test or early production results are not necessarily indicative of long-term performance or of ultimate recovery.

INTERESTS OF EXPERTS

Certain legal matters relating to the Offering will be passed upon on behalf of the Corporation by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Dentons Canada LLP.

As at the date hereof, the partners and associates of Dentons Canada LLP, as a group, owned, directly or indirectly, less than 1% of the outstanding Common Shares. As at the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, owned, directly or indirectly, less than 1% of the outstanding Common Shares. Mr. Jay Reid, a director of Madalena, is a partner of Burnet, Duckworth & Palmer LLP and P.L. (Lonny) Tetley, the Corporate Secretary of Madalena, is an associate of Burnet, Duckworth & Palmer LLP, which law firm renders legal services to Madalena.

As at the date hereof, the designated professionals of McDaniel & Associates Consultants Ltd. and of Ryder Scott Company, L.P., Madalena's independent reserves evaluators, as a group, each owned, directly or indirectly, less than 1% of the outstanding Common Shares.

KPMG LLP are auditors of the Corporation and have confirmed they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment to the prospectus. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages, are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF MADALENA ENERGY INC.

Dated: January 28, 2014

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

(Signed) "*Kevin Shaw*"
President and Chief Executive Officer

(Signed) "*Thomas Love*"
Vice President, Finance and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) "*Jay Reid*"
Director

(Signed) "*Ving Woo*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: January 28, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

HAYWOOD SECURITIES INC.	**MACKIE RESEARCH CAPITAL CORPORATION**	**RBC DOMINION SECURITIES INC.**
(signed) "*Jeff Reymer*"	(signed) "*Gage Jull*"	(signed) "*Darrell Law*"

BEACON SECURITIES LIMITED	**NATIONAL BANK FINANCIAL INC.**
(signed) "*Kirk Wilson*"	(signed) "*Tom MacInnis*"