MADALENA ENERGY INC.

BOUGHT SHORT FORM PROSPECTUS OFFERING OF SUBSCRIPTION RECEIPTS

TERM SHEET MAY 29, 2014

A preliminary short form prospectus containing important information relating to the securities described in this document has not yet been filed with the securities regulatory authorities in certain of the provinces of Canada. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities.

There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

Issuer:	Madalena Energy Inc. (the "**Company**").
Issue:	Treasury offering of 90,910,000 subscription receipts ("**Subscription Receipts**").
Issue Price:	$0.55 per Subscription Receipt.
Issue Size:	Total gross proceeds of $50,000,500 ("**Offering**").
Over-allotment Option:	The Company has granted the Underwriters an option, exercisable in whole or in part, at the Issue Price for a period of up to 30 days following the Closing Date, to purchase up to an additional 13,636,500 Subscription Receipts to cover over-allotments, if any.
The Acquisition:	The Company has entered into definitive agreements (the "**Acquisition Agreement**") with an arm's length vendor pursuant to which the Company will acquire the Argentina business units of such vendor (the "**Acquisition**"). Closing of the Acquisition is expected to occur on or before June 30, 2014.
Subscription Receipts:	Each Subscription Receipt will entitle the holder to receive one common share of the Company ("**Common Share**") without additional payment or further action on the part of the holder, upon the receipt by the Lead Underwriter (as defined herein) and Escrow Agent (as defined herein) of a notice of the Company that all the conditions precedent to the completion of the Acquisition (except for the release of the escrow funds) have been satisfied or waived and the satisfaction of other terms and conditions in favour of the Lead Underwriter (the "**Conversion Event**"). If the Conversion Event does not occur before 5:00 p.m. (Toronto time) on July 31, 2014 (except as extended with the consent of the Lead Underwriter) (the "**Termination Time**") or if the Acquisition Agreement is terminated at any earlier time, the holders of the Subscription Receipts will be entitled to a return of their full subscription price and their pro rata entitlement to the interest earned on the escrowed funds.

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Escrow:	On the Closing Date, the gross proceeds of the Offering (the "**Escrowed Proceeds**") will be held by a Canadian trust company or other escrow agent (the "**Escrow Agent**") acceptable to the Company and the Lead Underwriter and invested in short-term obligations of, or guaranteed by, the Government of Canada or Canadian chartered bank (or other approved investments) until the earlier of: (i) the satisfaction of the Escrow Release Conditions (as defined herein); and (ii) the Termination Time. Provided the Escrow Release Conditions are satisfied on or before the Termination Time, the Escrowed Proceeds will be released to the Company (along with any accrued interest thereon) upon receipt of a notice by the Escrow Agent from the Lead Underwriter and the Company that the Escrow Release Conditions have been satisfied. "**Escrow Release Conditions**" means (i) completion of the Conversion Event, and (ii) receipt of all necessary regulatory and other approvals in respect of the Offering.
Use of Proceeds:	The net proceeds received by the Company from the sale of the Subscriptions Receipts will be used to fund a portion of the Acquisition.
Offering Basis:	The Subscription Receipts will be sold: (i) via a public offering distributed pursuant to a short form prospectus filed in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick and such other provinces (excluding Quebec) as the Underwriters may specify and the Company agrees to prior to the Closing Date, (ii) on a private placement basis pursuant to Rule 144A in the United States, and (iii) certain offshore jurisdictions pursuant to relevant prospectus or registration exemptions in accordance with applicable laws.
Underwriting Basis:	"Bought deal" subject to conventional bought deal termination provisions to be included in a definitive underwriting agreement.
Listing:	The Common Shares currently trade on the TSX Venture Exchange (the "**TSXV**") under the symbol "MVN". The Company will apply to list the Subscription Receipts and the Common Shares issuable upon conversion of the Subscription Receipts upon occurrence of the Conversion Event on the TSXV. Listing will be subject to the Company fulfilling all of the listing conditions of the TSXV.
Eligibility:	Eligible under the usual Canadian statutes, as well as for RRSPs, RESPs, RRIFs, TFSAs and DPSPs.
Lead Underwriter:	Dundee Securities Ltd.
Closing Date:	On or about June 24, 2014 or such other date as mutually agreed upon by the Underwriters and the Company.