MATERIAL CHANGE REPORT

1. Name and Address of Reporting Issuer:

Madalena Energy Inc. ("**Madalena**" or the "**Company**")
200, 707 – 7 Avenue SW
Calgary, Alberta T2P 3H6

2. Date of Material Change:

May 29, 2014 and June 4, 2014

3. News Release:

News releases disclosing the details discussed in this material change report were issued on May 29, 2014 and June 4, 2014, and disseminated through the facilities of a recognized news wire service.

4. Summary of Material Change:

On May 29, 2014, Madalena entered into an agreement to acquire (the "**Acquisition**") the Argentinean business units of Gran Tierra Energy Inc. ("**Gran Tierra**"). The Acquisition includes Proved and Probable ("**2P**") reserves of 6,513 mboe at December 31, 2013, estimated production on close of the Acquisition of approximately 3,300 boe/d (~78% oil) and 11 exploration and production blocks comprising approximately 890,000 net acres.

In connection with the Acquisition, Madalena originally entered into an agreement with Dundee Securities Ltd. as lead underwriter and sole bookrunner ("**Lead Underwriter**"), on behalf of itself and a syndicate of underwriters including RBC Dominion Securities Inc., Haywood Securities Inc., Beacon Securities Limited, National Bank Financial Inc., FirstEnergy Capital Corp., Mackie Research Capital Corporation, TD Securities Inc., Canaccord Genuity Corp., Jennings Capital Inc. and Raymond James Ltd. (collectively, the "**Underwriters**") for a bought deal short form prospectus offering (the "**Offering**") of 90,910,000 subscription receipts of the Company ("**Subscription Receipts**"), at a price of $0.51 per Subscription Receipt, with an over-allotment option, exercisable at any time up to 30 days following closing of the Offering, in whole or in part, to purchase from the Company, up to an additional 13,636,500 Subscription Receipts, to cover over-allotments and for market stabilization purposes.

On June 4, 2014, Madalena and the Lead Underwriter agreed to re-price the Offering. Pursuant to the amended agreement, the Company will now issue 98,100,000 Subscription Receipts, on a bought deal basis, at a price of $0.51 per Subscription Receipt, for aggregate gross proceeds of $50,031,000 and has amended the over-allotment option such that the Underwriters may purchase up to an additional 14,715,000 Subscription Receipts at a price of $0.51 per Subscription Receipt to cover over-allotments, if any, for additional gross proceeds of up to approximately $7,504,650.

The Company will use the net proceeds from the Offering to fund the remaining cash component for the Acquisition. The purchase price for the Acquisition is US$63 million, payable in US$49 million cash and US$14 million in common shares of Madalena ("**Common Shares**"). Pursuant to the definitive agreements underlying the Acquisition, Madalena must pay the share consideration amount at the same deemed issue price as the Offering; accordingly, Madalena will issue 29,831,537 Common Shares for the share consideration amount for the Acquisition.

The gross proceeds from the Offering will be held in escrow pending the satisfaction of all conditions to the completion of the Acquisition (other than funding), provided that the closing date of the Acquisition is on or before July 31, 2014, upon which time each Subscription Receipt will entitle the holder to receive a Common Share, without further payment or action on the part of the holder, upon the closing of the Acquisition. If the Acquisition is not completed on or before July 31, 2014 or it is terminated at an earlier time, then the purchase price for the Subscription Receipts will be returned to subscribers, together with a pro rata portion of interest earned on the escrowed funds.

The Subscription Receipts will be offered by way of a short-form prospectus to be filed in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia pursuant to National Instrument 44-101 - *Short Form Prospectus Distributions*.

Updated Acquisition Highlights

- Acquisition cost per flowing boe of approximately **US$19,091**, based on current estimated production at the expected closing date of the Acquisition of 3,300 boe/d;
- Reserve life index of **5.41 years**, based on current estimated production and adjusted 2P reserves;
- Recycle ratio of approximately **2.1x,** based on Q1-2014 operating property netbacks of **US$33.93**/boe and acquisition costs of approximately US$16.12/boe;
- Key producing infrastructure, including batteries and pipelines;
- Approximately **890,000 net acres** of developed and undeveloped lands; and
- Lands have an average working interest of approximately **83%**, and the net production acquired is more than **94%** operated.

The following is a summary of production, land and reserves information that is relevant to Madalena, prior to, and following, the Acquisition and the Offering:

	Madalena[1]	**Acquisition**[2]	**Adjustments**[3]	**Pro Forma**
Current Production[6]				
Oil and NGLs (Bbl/d)	960	2,610	-	3,570
Gas (Mcf/d)	3,840	4,150	-	7990
Boe (Boe/d)	1,600	3,300	-	**4,900**
Oil and NGLs (%)	60	79	-	72
Land (net acres)	239,000	890,000		**1,129,000**
RESERVES[4]				
Proved				
Oil and NGL (Mbbl)	1,350	4,248	(612)	4,986
Gas (MMcf)	8,032	5,599	(510)	13,121
MBOE (6:1)	2,689	5,181	(697)	**7,173**
Proved plus Probable				
Oil and NGLs (Mbbl)	2,373	6,295	(900)	7,768
Gas (MMcf)	13,651	7,615	(900)	20,366
MBOE (6:1)	4,648	7,563	(1,050)	11,161
Proved FDC[5] (US$mm)	20	46	(21)	45
Proved plus Probable FDC (US$mm)	33	77	(35)	75
Accretion Analysis	**Madalena**	**Acquisition**	**Pro Forma**	**Accretion**
Diluted Shares (mm)	413.5	127.9	541.4	-
Proved Reserves (Boe per mm Common Shares)	6.5	40.5	13.3	**104%**
2P Reserves (Boe per mm Common Shares)	11.2	59.1	20.6	**83%**
Current Production (Boe/d per mm Common Shares)	3.9	25.8	9.1	**134%**

Notes:
1. Based on the independent reserve reports of Madalena evaluating the crude oil, natural gas liquids and natural gas reserves of the Company as at December 31, 2013 prepared by an independent reserves evaluator in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and the COGE Handbook.
2. Based on the independent reserve reports of Gran Tierra evaluating the crude oil, natural gas liquids and natural gas reserves of Gran Tierra as at December 31, 2013 prepared by an independent reserves evaluator in accordance with NI 51-101 and the COGE Handbook.
3. Adjustments to the acquisition reserves were made pursuant to internal management estimates conducted by a qualified reserves engineer. Adjustments consisted of reduced PUD locations due to rescheduling or removal of proven undeveloped and probable locations on the subject assets and acreage consolidations.
4. Reserves are "gross reserves", being working interest share of reserves before the deduction of royalties owned by others.
5. "FDC" means future development costs. Please see the end of this news release for important information on FDC. Madalena converted to US$ at 0.92US/CDN.
6. Based on field estimates.

Completion of the Acquisition and the Offering are subject to certain conditions including the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange. Closing of the Offering is expected to occur on or about June 24, 2014 and the Acquisition is expected to close on or about June 30, 2014.

5. Full Description of Material Change:

5.1 Full Description of Material Change

Please see Item 4 above.

5.2 Restructuring Transaction

Not applicable.

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

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer:

The name and business number of the executive officer of Madalena who is knowledgeable of the material change and this report is:

Kevin Shaw, P. Eng, MBA
President and Chief Executive Officer
kdshaw@madalenaenergy.com
(403) 262-1901 ext. 230

9. Date of Report:

This report is dated June 4, 2014.

Forward-Looking Statements

The information in this material change report contains certain forward-looking statements. These statements relate to future events or our future performance, in particular, but not limited to, with respect to the Acquisition, including the characteristics of the Argentinean business units being acquired and other expectations related thereto and the timing thereof, the Offering and the timing thereof and the Company's expected use of proceeds from the Offering. Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. All statements other than

statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "approximate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. In particular, this material change report contains forward-looking statements pertaining to operational activities to be conducted by the Company. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in commodity prices and foreign exchange and interest rates; stock market volatility and market valuations; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions, of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits the Company will derive from them. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The forward-looking statements in this material change report are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements. Investors are encouraged to review and consider the additional risk factors set forth in the Company's Annual Information Form, which is available on SEDAR at www.sedar.com.

Non-GAAP Measures

This document contains the term "cash flow" and "net backs", which do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Madalena uses cash flow and net backs to analyze financial and operating performance. Madalena feels this benchmark is a key measure of profitability for Madalena. This term is commonly used in the oil and gas industry. Cash flow is not intended to represent operating profits nor should it be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Cash flows are calculated as cash flows from operating activities less changes in non-cash working capital.

Information Regarding Disclosure on Reserves

The reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties, companies or business units, as adjusted, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Meaning of Boe

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, 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 ratio of 6:1 may be misleading as an indication of value.

Finding and Development Costs

NI 51-101 specifies how finding and development costs ("F&D costs") should be calculated if they are reported. Essentially NI 51-101 requires that the exploration and development costs incurred in the year along with the change in estimated F&D costs be aggregated and then divided by the applicable reserve additions. The calculation specifically excludes the effects of acquisitions and dispositions on both reserves and costs. Since acquisitions can

have a significant impact on annual reserve replacement costs, excluding these amounts could result in an inaccurate portrayal of Madalena's cost structure. F&D costs disclosed herein are based on working interest gross reserves. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total F&D costs related to reserve additions for that year.