

FORM 51-102F3

Material Change Report

1. Name and Address of Company:

First Mountain Exploration Inc. ("**First Mountain**" or the "**Corporation**")
10th Floor, 640 - 8th Avenue S.W.
Calgary, AB T2P 1G7

2. Date of Material Change(s):

February 9, 2016

3. News Release:

A news release disclosing the material change described below was issued by First Mountain on February 9, 2016, and disseminated through the facilities of Marketwired.

4. Summary of Material Change(s):

First Mountain, Point Loma Energy Ltd. ("**Point Loma**") and Madalena Energy Inc. ("**Madalena**") announced that they have entered into arms-length non-binding letters of intent dated February 8, 2016, pursuant to which it is proposed, among other things, that: (i) Point Loma will purchase certain non-core Canadian assets of Madalena; (ii) First Mountain will purchase all of the issued and outstanding common shares of Point Loma in exchange for common shares of First Mountain; and (iii) Point Loma will complete a private placement of subscription receipts and common shares issued on a flow-through basis pursuant to the *Income Tax Act* (Canada); all of which will occur by way of a statutory plan of arrangement.

5.1 Full Description of Material Change

Please see the press release attached as Schedule "A" hereto.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102 *Continuous Disclosure Obligations*:

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer Knowledgeable of Material Change:

William Slipp
President and Director
Telephone: (403) 453-2266 ext.227

9. Date of Report:

February 19, 2016

SCHEDULE "A"

FIRST MOUNTAIN EXPLORATION, POINT LOMA ENERGY & MADALENA ENERGY JOINTLY ANNOUNCE PROPOSED TRANSACTIONS ON CANADIAN ASSETS AND A PRIVATE PLACEMENT BY POINT LOMA

CALGARY, FEBRUARY 9, 2016 - First Mountain Exploration Inc. ("**First Mountain**") (TSX Venture: FMX), Point Loma Energy Ltd. ("**Point Loma**") and Madalena Energy Inc. (TSX-V: MVN and OTCQX: MDLNF) ("**Madalena**") are pleased to announce the following:

First Mountain, Point Loma and Madalena have entered into arms-length non-binding letters of intent (the "**Letters of Intent**") dated February 8, 2016, pursuant to which it is proposed, among other things, that the following transactions will occur by way of a statutory plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Arrangement**"):

- Point Loma will acquire Madalena's non-core Canadian petroleum and natural gas assets (the "**Madalena Canadian Assets**") for an aggregate purchase price of \$5,500,000 (the "**Madalena Acquisition**") ultimately payable through the issuance of First Mountain Common Shares and a convertible debenture;
- First Mountain will acquire all of the issued and outstanding Point Loma Common Shares in the capital of Point Loma (the "**Point Loma Common Shares**") in exchange for the issuance of First Mountain Common Shares (the "**Point Loma Acquisition**");
- First Mountain will complete a share consolidation (the "Share Consolidation") on the basis of ten existing common shares in the capital of First Mountain (the "First Mountain Common Shares") for each First Mountain Common Share; and
- First Mountain will undergo a name change (the "**Name Change**").

As a condition to the completion of the Arrangement, Point Loma will also complete a private placement of subscription receipts (the "**Subscription Receipts**") on a commercially reasonable efforts agency basis at a price of \$0.17 per Subscription Receipt (which, on a post-Share Consolidation basis and the taking into account the exchange ratio under the Point Loma Acquisition, results in a deemed price of \$0.40 per First Mountain Common Share (the "**Subscription Price**")) and a private placement of common shares in the capital of Point Loma (the "**Point Loma Common Shares**") issued on a "flow-through" basis pursuant to the *Income Tax Act* (Canada) (the "**Flow-Through Shares**") at an issue price of \$0.21 per Flow-Through Share (which on a post share consolidation basis results in a price of \$0.49 per Flow-Through Share), for collective minimum aggregate gross proceeds of \$2,000,000 and collective maximum aggregate gross proceeds of up to \$5,000,000 (the "**Private Placement**").

The Point Loma Acquisition

Pursuant to the Arrangement, it is proposed that, following the completion of the 10 for 1 Share Consolidation, the Madalena Acquisition and the Private Placement, First Mountain will acquire all of the issued and outstanding Point Loma Common Shares for the aggregate purchase price of approximately \$8,855,000 (the "**Point Loma Purchase Price**") and additionally an amount equal to the Private Placement. The Point Loma Purchase Price will be paid by the issuance of (i)14,625,355 First Mountain Common Shares with a deemed value of \$0.40 per share

(inclusive of the 6,244,814 First Mountain Shares issued in connection with the Madalena Acquisition); (ii) the issuance of a secured debenture \$3,000,000 in favor of Madalena as described below and (iii) the issuance of 0.43 shares per Point Loma Common Shares issued as per the Private Placement, on the basis of 0.43 First Mountain Common Shares for each Point Loma Common Share, in each case on a post-Share Consolidation basis.

The Point Loma Acquisition is expected to close on or about April 30, 2016 and is subject to a number of terms and conditions including negotiation of a definitive arrangement agreement, board approvals, shareholder approvals, due diligence, the completion of the Private Placement and the Madalena Acquisition, and the approval of the TSX Venture Exchange (the "**TSXV**"). There is no guarantee that the Point Loma Acquisition will be completed.

Point Loma is a private oil and gas exploration, development and production company incorporated under the laws of Alberta with its head office in Calgary, Alberta. Point Loma operates domestically in the West Central area of Alberta. Point Loma's strategy is to create value through the generation of a portfolio of high quality oil and gas assets in proven hydrocarbon areas with significant development potential. Point Loma is focused on building a growth oriented, sustainable business model. This incorporates a balanced approach between acquisitions and lower risk development opportunities. There are currently no "control persons" of Point Loma as such term is defined in the policies of the TSXV.

Acquisition of Madalena's Non-Core Canadian Assets

Pursuant to the Letters of Intent, Point Loma and Madalena expect to enter into an asset acquisition agreement, pursuant to which Point Loma will acquire Madalena's non-core Canadian Assets for the aggregate purchase price of \$5,500,000, prior to closing adjustments (the "**Madalena Purchase Price**"). Upon the completion of the Arrangement, the Madalena Purchase Price will ultimately be comprised of 6,244,814 First Mountain Shares (on a post-Share Consolidation basis) with a deemed value of \$0.40 per share and a secured debenture of First Mountain in favour of Madalena in the amount of \$3,000,000 (the "**Secured Debenture**"), which will be convertible into First Mountain Common Shares at a price of \$0.50 per share (on a post-Share Consolidation basis) and will have a five year term from the date of closing. Further details of the terms of the Secured Debenture will be disclosed in a further news release.

The Madalena Acquisition is expected to close immediately prior to or concurrent with the Point Loma Acquisition on or about April 30, 2016 and is subject to a number of terms and conditions including negotiation of a definitive purchase agreement, including, without limitation, the negotiation of the terms of the Secured Debenture, board approvals, due diligence, the concurrent completion of the Private Placement and the Point Loma Acquisition, and the approval of the TSXV. There is no guarantee that the Madalena Acquisition will be completed.

Madalena is an independent, Argentina focused, upstream oil and gas company incorporated in British Columbia and continued into Alberta. Madalena holds approximately 950,000 net acres in four provinces of Argentina, where it is focused on the delineation of large shale and unconventional resources in the Vaca Muerta shale, Lower Agrio shale, Loma Montosa oil play and the Mulichinco liquids-rich gas play. Madalena is implementing horizontal drilling and completions technology to develop both its conventional and strategic unconventional resource plays in Argentina.

Madalena's non-core Canadian assets to be acquired are concentrated in the Paddle River area of Alberta and are currently producing approximately 135 boepd comprised of 70% medium grade oil. First Mountain expects that once facility constraints are overcome in the area, an

additional estimated 650 boepd (70% medium grade oil) of production could be brought on stream. Also included is a significant Canadian land base of approximately 85,000 net acres.

Point Loma Private Placement

As a condition to the completion of the Arrangement, Point Loma intends to complete the Private Placement of Subscription Receipts and Flow-Through Shares for collective minimum aggregate gross proceeds of \$2,000,000 and collective maximum aggregate gross proceeds of up to \$5,000,000. Each Subscription Receipt will automatically convert into 0.43 common shares of the combined entity on a post Share Consolidation basis, after completion of the Arrangement, at no additional cost to the holder upon satisfaction or waiver of all conditions to the Arrangement.

The proceeds of the Private Placement are expected to be used to place the currently suspended Point Loma and Madalena wells on production and to conduct other oil and gas operations.

In connection with the Private Placement, Point Loma may engage agents as agreed to between First Mountain and Point Loma (the "**Agents**") to act on a "commercially reasonable efforts" basis. If Point Loma engages any Agents it intends to pay a commission to the Agents in an amount to be determined in accordance with the terms of the agreement with such Agents. If Agents are engaged, First Mountain et al will issue a further news release as to the identity of the Agents and their remuneration.

Closing of the Private Placement is expected to occur on or about February 26, 2016 or such other date as the parties may determine, and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSXV. The net proceeds of the Private Placement will be held in escrow by an escrow agent and released concurrently with the completion of the Arrangement. In the event that the Arrangement is not completed on or before April 30, 2016, the Subscription Receipts shall be cancelled and the net proceeds of the Private Placement will be returned without deduction by the escrow agent to the subscribers participating in the Private Placement.

TSXV Matters

The proposed Arrangement will result in a reverse take-over pursuant to the policies of the TSXV. Sponsorship of a reverse take-over may be required by the TSXV unless exempt in accordance with TSXV policies. First Mountain intends to apply for an exemption from the sponsorship requirements pursuant to the policies of the TSXV. There is no assurance that First Mountain will obtain an exemption from the sponsorship requirements.

Trading in First Mountain's Common Shares on the TSXV will remain halted until the documentation required by TSXV has been reviewed and accepted by the TSXV.

Pro Forma First Mountain

As a step in the Arrangement, First Mountain expects to complete the Name Change. Further details on the Name Change will be provided in a further news release.

Following the completion of the Arrangement, First Mountain will be an Alberta focused exploration and production company, Point Loma is expected to be a wholly-owned subsidiary

of First Mountain or amalgamated with First Mountain, and Madalena will be a pure play Argentina focused, international oil & gas company.

Upon completion of the Arrangement, the Board of Directors of First Mountain will be restructured to consist of six (6) directors, namely, two Madalena nominees, two Point Loma nominees, one First Mountain nominee and an independent director with acceptable industry experience, provided the TSXV does not object to such nominations and such persons are eligible to act as directors pursuant to the requirements of the Alberta Business Corporations Act. A further news release will be issued as to the proposed directors of First Mountain.

After the closing of the Arrangement, the current officers of First Mountain will resign and a new management team will be appointed by the Board of Directors of First Mountain and will include Terry Meek as President and Chief Executive Officer, Kevin Angus as Executive Vice President, Business Development, Scott Alanen as Vice President, Finance and Chief Financial Officer, Dan Boyko as Vice President, Engineering, Brad Johnston as Vice President, Land and a Corporate Secretary to be determined by the First Mountain Board of Directors.

Terry Meek - President and Chief Executive Officer

Mr. Meek is currently the President and Chief Executive Officer at Point Loma Energy Ltd. Mr. Meek has 31 years of experience in the conventional and unconventional oil and gas industries. He was previously a founder, Executive Vice President and Chief Operating Officer of the coal bed methane player Ember Resources Inc. from 2005 to 2011. He was also a founder, Engineering Vice President and Chief Operating Officer of Thunder Energy Inc. ("**Thunder**") from 1995 to 2005, during which time Thunder's market capital grew to over \$600 million. Mr. Meek has also worked in British Columbia and Alberta with Encal Energy Ltd., AJM Petroleum Consultants, and Gulf Canada. Mr. Meek is a Professional Engineer and a member of the Association of Professional Engineers and Geoscientists of Alberta.

Kevin Angus - Executive Vice President, Business Development

Mr. Angus is currently the Executive Vice President at Point Loma Energy Ltd. and a director of Painted Pony Petroleum Ltd. Mr. Angus has 33 years of experience in the geology and geophysics industries. He has previously acted as Vice President, Exploration at Mustang Resources Inc. and at Pegasus Oil & Gas Inc., and was the Vice President, Exploration at Surge Energy Inc. ("**Surge**") during a period in which Surge grew from 2,000 to 10,000 boepd. Mr. Angus has also held positions with Husky Energy Inc., Ulster Petroleum Ltd. and Archeon Energy Ltd. Mr. Angus is a Professional Geophysicist and member of the Association of Professional Engineers and Geoscientists of Alberta as well as a member of the Institute of Corporate Directors and holds an ICD.D designation.

Scott Alanen - Vice President, Finance and Chief Financial Officer

Mr. Alanen is currently the Vice President, Finance and Chief Financial Officer at Point Loma Energy Ltd. He has over 13 years of experience in the oil and gas industry. Mr. Alanen was previously the Controller for a private group of companies and Chief Financial Officer of Sunridge Energy Corp. Prior thereto Mr. Alanen was the Manager, Financial Reporting at Ember Resources Inc., Manager, Financial Reporting at Canexus Corporation and a senior auditor with a national accounting firm. Mr. Alanen is a Chartered Accountant and Chartered Business Valuator in good standing with both the Canadian and Alberta Institutes of Chartered Accountants and the Canadian Institute of Chartered Business Valuators.

Dan Boyko - Vice President, Engineering

Mr. Boyko is currently the Vice President, Engineering at Point Loma Energy Ltd. He has 33 years of experience in the petroleum industry. Mr. Boyko has previously served as the Vice President of Business Development at Open Range Energy Corp., and has acted as a Petroleum Engineering Consultant for various companies including NAL Resources, Devon Energy Canada, Lone Pine Resources and Pioneer Natural Resources. Mr. Boyko has also served as Team Lead and Senior Engineer with POCO Petroleum Ltd. focusing on West Central Alberta oil and gas assets. Mr. Boyko graduated from the University of Tulsa with a Bachelor of Science degree in Petroleum Engineering. He is a Professional Engineer and a member of the Association of Professional Engineers and Geoscientists of Alberta.

Brad Johnston - Vice President, Land

Mr. Johnston is currently the Vice President, Land at Point Loma Energy Ltd. He has 16 years of experience in the oil and gas industry, both internationally and in Western Canada, with a focus on negotiating transactions for joint ventures, acquisitions, and divestitures. Mr. Johnston has previously held positions of increasing responsibility with Cabre Exploration Ltd., Nexen Inc. and Galleon Energy Inc. Prior to joining Point Loma he most recently held the title of Vice President, Land with Carnaby Energy Ltd. Mr. Johnston holds a Bachelor of Commerce degree from the University of Calgary with a major in Petroleum Land Management and is a member of the Canadian Association of Petroleum Landmen.

For further information, please contact:

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Completion of the transaction is subject to a number of conditions, including TSXV acceptance and disinterested Shareholder approval. The transaction cannot close until the required Shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Management Information Circular to be prepared in connection with the transaction, any information released or received with respect to the reverse take-over may not be accurate or complete and should not be relied upon. Trading in the securities of First Mountain should be considered highly speculative.

The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Neither the TSX Venture nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture) accepts responsibility for the adequacy or accuracy of this release.

Not for distribution to U.S. news wire services or dissemination in the United States.

A Note regarding Forward Looking Information

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws, including without limitation, statements pertaining to the closing of the Private Placement, the Share Consolidation and the Point Loma Acquisition and the Madalena Acquisition, including the parties' ability to close the transactions contemplated herein and obtain necessary approvals from the TSX Venture Exchange and the characteristics and quality of the Madalena Assets. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements or information.

Although First Mountain, Point Loma and Madalena believe that the expectations and assumptions on which such forward looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because First Mountain, Point Loma and Madalena cannot give assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the inability of First Mountain to bring additional production from the Madalena Assets on stream or in the anticipated quantities disclosed herein; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to tax laws, royalties and environmental regulations, actual production from the acquired assets may be greater or less than estimates; failure to obtain the necessary regulatory approval, stock exchange and other regulatory approvals on the timelines planned. Management has included the above summary of assumptions and risks related to forward looking information provided in this press release in order to provide security holders with a more complete perspective on First Mountain's future operations and such information may not be appropriate for other purposes.

The forward-looking statements and information contained in this press release are made as of the date hereof and none of First Mountain, Point Loma or Madalena undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Oil and Gas Information

"BOEs" 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.