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**Madalena Announces Transformational and Strategic Acquisition in Argentina Increasing
Production to 4,900 boe/d and a CDN\$50 Million Bought Deal Financing**

Calgary, May 29, 2014: Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTC: MDLNF), is pleased to announce that it has entered into an agreement to acquire (the "Acquisition") the Argentinean business units of Gran Tierra Energy Inc. ("Gran Tierra"). The Acquisition is highly accretive and 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), 11 exploration and production blocks comprising approximately 890,000 net acres and a fully functional independent business unit in Argentina with an experienced technical and operational team. The purchase price is US\$63 million, payable in US\$49 million cash and 27,661,971 common shares of Madalena ("Common Shares") at a deemed issue price of CDN\$0.55 (US\$0.506).

In connection with the Acquisition, Madalena has 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 Capital Markets, 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.] (the "**Underwriters**") for a bought deal equity financing, ("**Financing**"), for aggregate gross proceeds of CDN\$50 million (described in more detail below).

The Acquisition provides Madalena with a solid platform for growth which more than triples the Company's production base and significantly increases cash flow from its Argentinean assets. Pro forma the closing of the Acquisition, Madalena's corporate production is estimated to increase to approximately 4,900 boe/d (~72% oil and NGLs), ~80% of which will be from Argentina, with cash flow expected to be reinvested into both high impact conventional opportunities in Argentina and to accelerate the delineation of the Company's unconventional shale and tight sand resources within the Neuquén basin. Pro forma the Acquisition, Madalena will have a strong portfolio of assets with exposure to a low decline stable production base, an extensive inventory of low risk development drilling opportunities, a seismically and technically defined conventional portfolio of assets, and significant unconventional shale (Vaca Muerta, Lower Agrio and Los Monos shales) and tight sand resources.

Madalena estimates pro forma annual cash flow of US\$35 - US\$45 million over the next twelve months which is expected to provide the Company with the ability to execute a US\$50 – US\$60 million capital program. Madalena will provide additional go-forward guidance subsequent to the closing of the Acquisition and the approval of a consolidated budget by the Company's board of directors.

Pro forma the Acquisition and the Financing and after all transaction costs, the Company estimates positive working capital of approximately US\$5.0 million.

Acquisition Highlights

- Total purchase price of US\$63 million comprised of US\$49 million in cash and US\$14 million in Common Shares (at a deemed price of CDN\$0.55 (US\$0.506) per Common Share);
- Acquiring adjusted 2P reserves of **6,513** mboe at approximately **US\$16.12/boe** (**US\$9.67** excluding FDC);
- 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 Financing:

	<u>Madalena</u> ⁽¹⁾	<u>Acquisition</u> ⁽²⁾	<u>Adjustments</u> ⁽³⁾	<u>Pro Forma</u>
<u>Current Production</u> ⁽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	78		72
Land (net acres)	239,000	890,000	(125,000)	1,004,000
RESERVES ⁽⁴⁾				
<u>Proved</u>				
Oil and NGL (mdbl)	1,350	4,248	(612)	4,986
Gas (mmcf)	8,032	5,599	(510)	13,121
mmBOE (6:1)	2,689	5,181	(697)	7,173
<u>Proved plus Probable</u>				
Oil and NGLs (mdbl)	2,373	6,295	(900)	7,768
Gas (mmcf)	13,651	7,615	(900)	20,366
mmBOE (6:1)	4,648	7,563	(1,050)	11,161
Proved FDC ⁽⁵⁾ (US\$mm)	20	46	(21)	45
2P FDC (US\$mm)	33	77	(35)	75
<u>Accretion Analysis</u>				
	<u>Madalena</u>	<u>Acquisition</u>	<u>Total</u>	<u>Accretion</u>
Diluted Shares (mm)	413.5	118.6	532.1	
Proved Reserves (boe per mm shares)	6.5	43.7	13.5	107%
2P Reserves (boe per mm shares)	11.2	63.4	20.6	87%
Current Production (boe/d per mm shares)	3.9	27.8	9.2	138%

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.

Rationale for the Acquisition

- Highly accretive on all metrics and more than triples the Company's production base.
- Strong cash flow from the conventional asset bases that can be directed towards accelerating development of Madalena's unconventional shale oil and gas plays in Argentina.
- Strengthens Madalena's Argentinean operations by adding a fully integrated professional and operating team "on the ground" in Argentina.
- Enhances and improves the Company's flexibility regarding the future delineation of, or transactions associated with, Madalena's current unconventional shale assets in Argentina.
- Strategically positions Madalena as a strengthened and emerging oil and gas producer.
- Improves Madalena's access to exploration and production services in Argentina.

In respect to the benefits of the proposed transactions Mr. Kevin Shaw, President and Chief Executive Officer of Madalena commented:

"Madalena is very pleased to enter into this transaction, which is expected to simultaneously accomplish several steps in building value for Madalena shareholders. The combination of achieving critical mass in Argentina and the addition of a fully integrated professional and operating team in country will assist Madalena in accelerating a growth strategy that is balanced between conventional production focused development, and the delineation of the Company's unconventional shale and tight sand resources.

I look forward to having the Argentina based Gran Tierra team join us in delivering this conventional growth and assisting us in the delineation and prove-up of Madalena's unconventional resources."

Dana Coffield, President and Chief Executive Officer of Gran Tierra added:

"The combined assets in Argentina will provide Madalena with a solid operational platform to advance the conventional assets and unlock the Vaca Muerta shale potential, benefiting Argentina stakeholders, Madalena and GTE shareholders through its ownership in Madalena."

"Gran Tierra Energy had its start with operations in Argentina in 2005. Since that time, our Argentine team has successfully grown our business in the country, and contributed to the growth of Gran Tierra Energy in the intervening years. We would like to thank the Argentine team for their contributions and wish them the best for continued success in the years to come with Madalena."

Equity Financing

In connection with the Acquisition, Madalena has entered into an agreement with the Underwriters, pursuant to which the Underwriters have agreed to purchase for resale to the public, on a bought deal basis, 90,910,000 subscription receipts of the Company ("**Subscription Receipts**"), at a price of \$0.55 per Subscription Receipt, for aggregate gross proceeds of approximately CDN\$50 million.

The Underwriters have also been granted an over-allotment option, exercisable at any time up to 30 days following closing of the Financing, 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.

Madalena will apply to list the Subscription Receipts and the Common Shares issuable pursuant to the Equity Financing on the TSX Venture Exchange.

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*.

The gross proceeds from the Financing 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.

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

Advisors

Dundee Securities Ltd. has acted as financial advisor to Madalena with respect to the Acquisition. **RBC Capital Markets** has acted as strategic advisor to Madalena with respect to the Acquisition. **Haywood Securities Ltd.** has provided the board of directors of Madalena with its opinion, pending review of the finalized form of documents effecting the Acquisition, that the consideration to be paid by Madalena pursuant to the Acquisition is fair, from a financial point of view, to Madalena shareholders.

About Madalena – International and Domestic Assets (Pre-Acquisition)

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 large blocks within the Neuquén basin in Argentina where it is focused on the delineation of large petroleum in-place shale and unconventional resources in the Vaca Muerta and Lower Agrio shales, in addition to multiple tight sand plays. The Company is also implementing horizontal drilling and completions technology to high impact international plays and is currently focused on a conventional oil play in the Sierras Blancas formation. Madalena holds approximately 132,200 net acres on the Coiron Amargo (34,950 net acres), Curamhuele (50,600 net acres) and Cortadera (46,650 net acres) blocks.

Domestically, Madalena's core area of operations is located in the Greater Paddle River area of west-central Alberta where the Company holds approximately 195 gross (153 net) sections of land (approximately 78% average W.I.) encompassing light oil and liquids-rich gas resource plays. Madalena's primary domestic focus is to exploit its large inventory of horizontal drilling locations on its Ostracod oil and emerging oil & liquids-rich gas resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN. Basic corporate information, recent news releases and regularly updated corporate presentations are available on the Company's website at www.madalenaenergy.com

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Forward Looking Information

The information in this news release 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 Financing and the timing thereof and the Company's expected use of proceeds from the Financing. 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 news release 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 news release 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.

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

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