



**MADALENA ANNOUNCES A STRATEGIC TRANSACTION AT COIRON AMARGO SUR ESTE WITH PAN AMERICAN ENERGY AND A DEBT FINANCING AGREEMENT**

*(All dollar figures are expressed in United States Dollars)*

Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce that it has entered into agreements with Pan American Energy LLC, Sucursal Argentina ("PAE") relating to its 90% working interest ("WI") in the Coiron Amargo Sur Este ("CASE") block. Concurrent with this transaction, Madalena and PAE have entered into an agreement whereby PAE will provide a limited recourse loan to Madalena of up to \$40 million, to be drawn-down as required to fund certain capital expenditures.

**Transaction Highlights:**

- Madalena will receive cash payments of an aggregate of \$10 million by closing;
- Madalena will transfer a 55% WI and operatorship to PAE, retaining a 35% non-operated WI in CASE;
- a 2017 work program ("Work Program") will be undertaken by PAE, with a net benefit to Madalena of \$5.6 million; and
- Madalena to obtain a limited recourse loan of up to \$40 million, to be drawn-down as required to fund certain capital expenditures.

**Payment**

Madalena will receive a refundable deposit within two business days with the balance of the \$10 million due upon closing, which is expected to occur within 90 days. Within that period, the parties must obtain the approvals of Gas y Petr leo del Neuqu n Sociedad An mina ("GyP") and the Province of Neuqu n, Argentina.

**Working Interests and Operatorship**

PAE will become the operator at CASE, with resulting WI in the block as follows:

PAE	55%
Madalena	35%
GyP	10%

**Work Program**

The Work Program will consist of either two horizontal multi-frac completions in the Vaca Muerta shale formation or one horizontal multi-frac in the Vaca Muerta and one deep Grupo Cuyo sandstone gas test, utilizing existing cased wellbores on the block.

**Loan**

PAE has agreed to provide up to \$40 million to Madalena to be drawn-down as required to fund certain capital expenditures. This limited recourse loan will bear interest at 7% per annum and is repayable in 5 years.

**Benefits to Madalena**

This transaction delivers a number of positives for the Company. It provides significant assistance to addressing the liquidity and working capital challenges which Madalena has been facing. As well, Madalena stands to benefit from its relationship with a well-established, experienced operator which will provide the necessary capital and expertise so that the CASE block can be efficiently developed.

## **Strategic Alternatives Update**

The strategic alternatives process previously announced continues. The Company, along with its financial advisor, Evercore Group LLC, is in discussions with a number of parties who have expressed interest in other aspects of Madalena's operations. As indicated previously, there can be no assurance that such transactions will be consummated.

## **About Madalena Energy**

Madalena is an independent, Canadian headquartered, Argentina focused upstream oil and gas company with operations in four provinces of Argentina where it is focused on the delineation of unconventional resources in the Vaca Muerta shale, Lower Agrio shale and Loma Montosa oil plays. The Company is implementing horizontal drilling and completions technology to develop both its conventional and resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN and on the OTCQX under the symbol MDLNF.

## **About Pan American Energy**

Pan American Energy is the largest private hydrocarbon producing company in Argentina. It contributes 18% of hydrocarbon produced in the country and has had the highest growth rate and the highest reserve replacement ratio in Argentina for the past 10 years. In 2016, the company will invest 1.4 billion dollars, after having invested 13 billion dollars between 2001 and 2015.

Over the past 14 years, the company increased its oil production by 34% and gas production by 67%.

PAE employs more than 12,000 people either directly or indirectly and has presence in the four major hydrocarbon producing basins in Argentina: Golfo San Jorge, with the largest oil production in Cerro Dragón, the largest oilfield in the country; Neuquina, the largest gas basin and the hub for the future development of unconventional reservoirs; Noroeste (province of Salta) and the Austral Basin (located offshore Tierra del Fuego), with significant production of gas, the main source of energy in the country.

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## **Reader Advisories**

### *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 matters related to the transactions described herein, the associated Work Program and the strategic review. 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. 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](http://www.sedar.com).*

**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.**