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**MADALENA ANNOUNCES STRATEGIC COIRON AMARGO ACQUISITION AND CDN\$27 MILLION EQUITY FINANCING TO ADVANCE ITS UNCONVENTIONAL SHALE AND SCALABLE RESOURCE PLAYS IN ARGENTINA**

Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce that it has entered into a letter of intent (as amended, the "Letter of Intent") to acquire (the "Acquisition") the 10% working interest (the "Assets") of one of its partners (the "Vendor") in the Coiron Amargo block in the province of Neuquén, Argentina for cash consideration of US\$8.0 million (the "Purchase Price"). Madalena currently holds a 35% working interest in the Coiron Amargo block through one of its Argentine subsidiaries, Madalena Austral S.A. ("MASA").

Madalena is also pleased to announce that it has filed a preliminary short form prospectus (the "Preliminary Prospectus") in connection with a marketed public offering of common shares of the Company (the "Common Shares") through a syndicate of agents co-led by RBC Capital Markets and TD Securities Inc. (the "Co-Lead Agents") and including Haywood Securities Inc., Industrial Alliance Securities Inc., CIBC Capital Markets, Dundee Securities Ltd. and Mackie Research Capital Corporation (collectively, and together with the Co-Lead Agents, the "Agents") for aggregate gross proceeds of up to CDN\$27.0 million (the "Offering"). The offering will be priced in the context of the market. The Agents have also been granted an over-allotment option to offer for sale up to an additional CDN\$4.1 million in Common Shares on the same terms.

The net proceeds of the Offering will be used to fund the Purchase Price and supplement the Company's drilling program in Argentina. The primary focus of the drilling program will be on horizontal multi-frac wells on both the Coiron Amargo and Puesto Morales blocks. The use of the net proceeds of the Offering by the Company is consistent with the Company's stated business objectives and strategic goals of the exploration for and delineation, appraisal and development of oil and natural gas assets in Argentina. Upon completion of the Offering, the Company will be positioned to further these business objectives.

In follow-up to the recently announced successful Lower Agrio shale oil test at the Yp.x-1001 well on the Curamhuele block (see Madalena's February 16, 2016 news release), Madalena intends to actively pursue a strategic partner to help further delineate the Lower Agrio shale and Vaca Muerta shale resources and to further assess the Mulichinco tight sand formation on the Curamhuele property.

**Coiron Amargo Vaca Muerta Unconventional Shale Oil Play (Currently 35% W.I.)**

At Coiron Amargo, Madalena and its partners are in the planning stages for the first Vaca Muerta horizontal multi-frac well on the block. A detailed third party review of geophysical and geological data on the block has been completed. The results of this study, combined with knowledge gained after a data exchange for several horizontal multi-frac wells directly offsetting Coiron Amargo, will be used to finalize the location and drilling plan. The Company anticipates commencing operations in July, 2016 with the possibility of commencing a second horizontal multi-frac well prior to the end of the year.

## **Puesto Morales Loma Montosa Oil Resource Play (100% W.I.)**

The Puesto Morales block contains over 30,000 net acres of 100% working interest lands. Madalena operates and controls a 100% working interest facility and pipeline infrastructure in the area providing the Company with a scalable, half-cycle resource development oil play. To unlock the Loma Montosa oil resource play, the Company is applying North American originated horizontal multi-frac technology to increase recoveries and improve overall play economics. Initial success was achieved in early 2015 at the PMS-1135(h) horizontal multi-frac well. The well commenced production on April 9, 2015 and has produced a cumulative 80,780 Boe to January 31, 2016. The Company plans to continue to modify and streamline the drilling and completion programs to optimize results and reduce costs. In the event that the Offering is fully subscribed, the Company plans to drill two to three Loma Montosa horizontal multi-frac wells in the second half 2016 from two pad sites to further delineate this project.

## **The Acquisition**

### ***The Letter of Intent and the PSA***

Pursuant to the Letter of Intent, it is proposed, among other things, that MASA will acquire the Assets from the Vendor for the Purchase Price with an effective date of January 1, 2016. In addition, Madalena has an exclusive dealing period with the Vendor ending on March 30, 2016. The Purchase Price is predicated on standard closing and post-closing adjustments and MASA acquiring clear title to the Assets, subject to encumbrances typical for a transaction of this nature.

Madalena anticipates that the Company, the Vendor and MASA will enter into a definitive agreement for the Acquisition in late March, 2016 (the "PSA"). The PSA is expected to contain such representations, warranties, covenants and indemnities as are typical for a transaction of this nature. Upon execution and delivery of the PSA, Madalena will deliver a US\$1.0 million deposit, which shall be held in escrow pursuant to an escrow agreement.

### ***The Assets***

The Assets are comprised of the Vendor's 10% working interest in the Coiron Amargo block. The Vendor is the current operator of the Coiron Amargo block. The following table outlines some of the key characteristics of the Assets:

<b>Purchase Price</b>	US\$MM	8.0
<b>December 2015 Working Interest Production</b>	BOE/d	140
<b>Property Cash Flow (unaudited) <sup>(1)</sup></b>	US\$MM/year	2.0
<b>2P reserves <sup>(2)</sup></b>	MBOE	536
<b>Acreage</b>	Net Acres	9,934
<b>Contingent Resources (best estimate) <sup>(3)</sup></b>	MMBOE	26
<b>Q4 2015 operating netback (unaudited) <sup>(4)</sup></b>	US\$/BOE	43.07

Notes:

- (1) Property cash flow for 2015 includes revenue less royalty, operating and transportation costs.
- (2) Readers are cautioned that the reserve amount set out above was calculated arithmetically based on the Company's Coiron Amargo reserves as set out in the reserve report prepared by GLJ Petroleum Consultants ("GLJ"), independent qualified reserves evaluators, in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101) and the COGE Handbook and effective as of December 31, 2015 (the "GLJ Report").
- (3) Readers are cautioned that the resource amount set out above was calculated arithmetically based on the Company's Coiron Amargo resources as set out in the resource report prepared by GLJ in accordance with NI 51-101 and the COGE Handbook and effective as of September 30, 2015. Please see Appendix A to the Preliminary Prospectus for additional important information related to the Company's resources.

(4) Operating netback is defined as revenue less royalty, operating and transportation costs.

The following outlines some of the key reserves information associated with the Assets. Readers are cautioned that the volumes and values set out below were calculated arithmetically based on the Company's Coiron Amargo reserves as compiled in the GLJ Report:

**GLJ Dec. 31, 2015 (Calculated Ratio to Vendor 10%WI)**

RESERVES	Oil (MBbl)	Gas (MMcf)	BOE (MBOE)
PP + PNP	104	181	135
PUD	128	144	152
<b>Total Proved</b>	<b>232</b>	<b>325</b>	<b>287</b>
<b>Probable</b>	<b>214</b>	<b>211</b>	<b>249</b>
<b>Proved + Probable</b>	<b>446</b>	<b>536</b>	<b>536</b>
BTAX NPV (US\$M)	NPV @ 0%	NPV @ 10%	NPV @ 15%
PP + PNP	2,913	2,589	2,454
PUD	3,268	1,838	1,427
<b>Total Proved</b>	<b>6,181</b>	<b>4,427</b>	<b>3,881</b>
<b>Probable</b>	<b>9,628</b>	<b>4,903</b>	<b>3,849</b>
<b>Proved + Probable</b>	<b>15,809</b>	<b>9,330</b>	<b>7,730</b>

The Coiron Amargo block covers an area of approximately 100,000 (35,000 net to Madalena prior to the Acquisition) acres of land and is situated approximately 1,000 km southwest of Buenos Aires in the Argentine province of Neuquén. The block is divided into two regions called Coiron Amargo Norte (northern portion of the block) and Coiron Amargo Sur (southern portion of the block). Coiron Amargo Norte is currently held under a 25 year exploitation (development) concession which was approved by the Province of Neuquén in 2012 and expires in 2038. All commitments have been fulfilled associated with this portion of the block. On April 16, 2015, the Company received a three year evaluation phase contract from the Province of Neuquén for Coiron Amargo Sur. Following this three year evaluation phase contract, Madalena and its partners will be eligible to enter into a two year extension to the evaluation phase period or enter into an exploitation (development) concession to further appraise the Coiron Amargo Sur portion of the block. Madalena, the Vendor and one of its other partners are responsible for paying 100% of the costs during the exploration phase.

The Acquisition is subject to the potential exercise of rights of first refusal (the "ROFRs"). In the event that the ROFRs are exercised in full, instead of increasing its interest in the Coiron Amargo block by 10%, Madalena's increased ownership in the block will be reduced to 3.89% (for a total working interest of 38.89%) and the Purchase Price will be reduced to approximately US\$3.1 million.

Activity during 2015 and early 2016 included the successful drilling of Madalena and its partners' fifth, sixth and seventh horizontal wells in the conventional Sierras Blancas formation. All three wells are currently on-stream. Madalena and its partners are in the planning stages for the first Vaca Muerta horizontal multi-frac well. The Company anticipates commencing operations in July, 2016. As of the date of this news release, Madalena has 7

(2.45 net) horizontal wells on production in the Coiron Amargo block. In addition, there are 5 vertical wells which contribute about 18% of the production on the block.

### ***Closing Mechanics***

It is expected that Madalena, MASA and the Vendor will enter into the PSA in late March, 2016. Madalena expects that shortly after filing the Preliminary Prospectus, MASA will issue a ROFR notice to the appropriate parties and request a waiver and consent or confirmation of any desire for the parties to exercise their respective ROFR. Upon delivery of the notice, the ROFR parties will have 30 days to elect whether to exercise their respective ROFRs. Following this period, consent will be requested from the regulatory authorities and the partners to MASA completing the Acquisition and a subsequent meeting will be held to elect a new operator of the Coiron Amargo block, which is determined by a majority vote based on working interest.

### ***Benefits to the Acquisition***

Madalena is proposing to acquire the 10% operated interest in the Coiron Amargo block which is a core property to the Company. The property has one of the highest operating netbacks (Q4 2015 ~ US\$ 43.07/boe) in the Company's portfolio.

The block is situated in the Vaca Muerta fairway which is one of the largest oil and gas shale plays outside of the United States as presented by the US Energy Information Administration. Large oil and gas companies have increased production to 30,000+ BOE/d in the Loma Campana block directly offsetting the Coiron Amargo block. In addition, a super major oil and gas company has been actively drilling horizontal multi-frac wells at Cruz de Lorena and Sierras Blancas (not to be confused with the Sierras Blancas formation). Both blocks are offsetting the Coiron Amargo block. The Coiron Amargo partners have budgeted to drill one to two horizontal multi-frac wells in 2016 as part of the commitment on the exploration concession Coiron Amargo Sur.

The increased interest at Coiron Amargo will add to the production, reserves and resources of the Company.

If the Company successfully closes the Acquisition, the Company will seek appointment as the new operator of the Coiron Amargo block. Madalena can provide no assurances that it will become the operator, particularly in the event that the ROFRs are exercised, in full or in part. In any event, if the Acquisition closes, Madalena will seek to implement North American-style drilling and completion techniques in both the conventional Sierras Blancas formation and unconventional Vaca Muerta shale thereby expecting to drive down costs and improve results.

Madalena believes that there are additional potential positive attributes associated with the Coiron Amargo block, as the successful completion of the Acquisition would increase the Company's interest in acreage that is comprised of:

- up to 52 additional unbooked Vaca Muerta shale drilling locations on the Coiron Amargo block (based on four horizontal multi-frac wells every 640 acres in the mapped area set out in the resource report prepared by GLJ in accordance with NI 51-101 and the COGE Handbook and effective as of September 30, 2015);
- acreage offsetting the operations of other industry participants;
- potential for deep gas exploration and development (Lajas and Los Molles plays); and
- additional Sierras Blancas exploration and development potential, including the ability to optimize conventional drilling and increase recovery factors.

### **The Offering**

Pursuant to the Offering, Madalena has filed the Preliminary Prospectus and has engaged the Agents to offer for sale, on a commercially reasonable efforts, agency basis, Common Shares of the Company for aggregate gross proceeds of up to CDN\$27.0 million. Madalena has also granted the Agents an over-allotment option to offer for

sale up to an additional CDN\$4.1 million in Common Shares on the same terms. This option is exercisable, in whole or in part, by the Agents at any time up to 30 days after closing of the Offering. The maximum gross proceeds that may be raised under the Offering will be approximately CDN\$31.1million should this option be exercised in full.

The net proceeds of the Offering, including any proceeds received upon the exercise of the over-allotment option granted to the Agents, are expected to be used by the Company to fund the purchase price for the Acquisition and to undertake the operations set out in the Preliminary Prospectus. Please see "*Use of Proceeds*" in the Preliminary Prospectus for further details in addition to use of proceeds should the Acquisition not be completed.

The Common Shares will be offered for sale in all provinces of Canada (other than Québec) by way of a short form prospectus pursuant to National Instrument 44-101 - *Short Form Prospectus Distributions* and the Common Shares may be sold in the United States and other jurisdictions pursuant to exemptions from registration requirements.

The completion of the Offering is 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 March 18, 2016.

#### **About Madalena Energy (pre-Acquisition)**

Madalena is an independent, Argentina focused, upstream oil and gas company.

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. 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.

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## Reader Advisories

### Forward Looking Information

The information in this news release contains certain forward-looking statements, including, without limitation, statements in relation to the Acquisition, including the characteristics of certain assets and the expected details and timing of the Acquisition, certain operations expected to be undertaken and the Offering, including the use of proceeds therefrom. These statements relate to future events or our future performance, and disclosure with respect to reserves or resources is deemed to be forward-looking statements. 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).

### 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.

### Analogous Information

Certain information in this news release may constitute "analogous information" as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), including, but not limited to, information relating to areas, assets, wells and/or operations that are in geographical proximity to or believed to be on-trend with lands held by Madalena. Such information has been obtained from public sources, government sources, regulatory agencies or other industry participants. Management of Madalena believes the information may be relevant to help define the reservoir characteristics within lands on which Madalena holds an interest and such information has been presented to help demonstrate the basis for Madalena's business plans and strategies. However, management cannot confirm whether such analogous information has been prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook and Madalena is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Madalena has no way of verifying the accuracy of such information. There is no certainty that the results of the analogous information or inferred thereby will be achieved by Madalena and such information should not be construed as an estimate of future production levels or the actual characteristics and quality Madalena's assets. Such information is also not an estimate of the reserves or resources attributable to lands held or to be held by Madalena and there is no certainty that such information will prove to be analogous in the future. The reader is cautioned that the data relied upon by Madalena may be in error and/or may not be analogous to such lands to be held by Madalena.

### Notes to Disclosure of Resources and Reserves

Volumes of reserves and resources have been presented based on a company interest basis which includes Madalena's royalty interests without deducting royalties payable by the Company. Certain volumes are arithmetic sums of multiple estimates of Contingent and Prospective Resources, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein. The estimates of reserves and resources for individual properties may not reflect the same confidence level as estimates of reserves and resources for all properties, due to the effects of aggregation.

### Unbooked Drilling Locations

Unbooked locations as disclosed herein have been identified by for the purposes of estimating Contingent Resources and have been identified based on evaluation of applicable geologic, seismic and engineering information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

### Definitions

#### "Contingent Resources"

Definition: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

*For complete list of risks and contingencies associated with the contingent and prospective resources, refer to the Company's November 4, 2015 news release for the results of its independent resource reports effective as at September 30, 2015 and the associated reader advisories and definitions.*

**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.**

THE SECURITIES OFFERED HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS. THIS PRESS RELEASE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.