



MADALENA ANNOUNCES OPERATION AGREEMENT ON THE PALMAR LARGO CONCESSION WITH THE PROVINCE OF FORMOSA

Buenos Aires, Argentina, November 27, 2018 (Globe Newswire) - Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce that Madalena has signed an operation agreement with Recursos y Energía Formosa SA ("REFSA"), an oil company belonging to the Province of Formosa (the "Province"), over the Palmar Largo Concession in Formosa, Argentina, effective December 1, 2018 (the "Operation Agreement").

Highlights

- **The Palmar Largo Concession's average gross production during last quarter was 640 Bbls/d with a YTD operating netback of US\$22 per barrel and with the agreement Madalena's net production is expected to increase by approximately 550 Bbls/day**
- **2 Year Operation Agreement with a 1 year extension provided that Madalena fulfills its US\$2M Investment Commitment**
- **The Investment Commitment consists of 2 workovers in 2 wells in order to increase production and certain facility improvements**
- **Madalena will operate 100% of the Palmar Largo Concession and will be required to pay the existing 12% royalty on production revenues to the Province and an additional 5.32% of production revenues is to be paid to REFSA under the agreement**
- **Madalena will receive 82.68% of production revenues under the agreement and will be responsible for the operation costs of the field.**
- **Madalena operates two adjacent areas (El Chivil and Surubí) which will allow the realization of significant synergies among the three areas**

In 1992, YPF as title holder entered into a Joint Venture Agreement with Pluspetrol SA, Norcen International Limited, CGC SA and Dong Won Co Ltd. with the purpose of exploring, exploiting and developing the Area Palmar Largo. In 2005, Gran Tierra Energy (whose Argentine operations were acquired by Madalena Energy Argentina SA in 2014) acquired a 14% participation interest in the Joint Venture from Dong Won.

Palmar Largo's 25 year concession expired in December, 2017. No agreement on the extension of the concession was reached between the operator, High Luck, and the Province, and as a result the Province issued Provincial Decree 301 dated November 5, 2018 which established a) the 25 year Palmar Largo Concession awarded to YPF expired; b) the Concession area was transferred to the Province and c) the Concession was awarded to REFSA.

Madalena's three areas in the Province (Palmar Largo, Surubí and Chivil) cover a surface of 422,960 acres.

The 2018 3rd Quarter average daily production of Palmar Largo was approximately 640 bbls from 8 producing wells. The associated gas is used in the field as fuel gas and for the gas lift system. Madalena expects a significant uplift in production from the 3 workovers planned in Palmar Largo and Surubi.

Jose David Penafiel, President and CEO of Madalena commented:

"The Operation Agreement recently entered into with REFSA which ultimately allows Madalena to increase its net production by approximately 550 barrels per day effective December 1st clearly shows how the Company's new strategy is working. Since the current management took over in May 2017, our strategy has centered on operational efficiency, and that focus has made us a more effective organization. Our hands-on oversight and participation has not only captured value through costs savings, but has led to this accretive bolt-on opportunity, where REFSA has acknowledged the company as an operator of choice because we are efficient. We will continue to adhere to our key values of patience, prudence, and discipline, and are confident that more growth opportunities will materialize in the future."

About Madalena Energy

Madalena is an independent upstream oil and gas company with operations in four provinces of Argentina where it is primarily focused on the delineation of unconventional oil and gas resources. The Company is implementing horizontal drilling and completions technology to develop both its conventional and unconventional 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. These statements relate to future events or our future performance, in particular, but not limited to, with respect to the characteristics of the Palmar Largo, Surubí and Chivilí interests held by the Company, the strategic value and opportunities available to Madalena through, among other things, the Palmar Largo concession and the Operation Agreement, the opportunities and the ability of Madalena to execute on such plans and opportunities, production volumes and management's future expectations in relation thereto, and the Company's ability to meet and finance its commitments under the Operation Agreement and Palmar Largo concession and continue as a going concern. 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; incorrect assessments of the value of the benefits to be derived by the Company from its interest in the Operation Agreement and Palmar Largo concession, 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. There is specific risk that the workovers, drilling and other operations under the Operation Agreement will not be successful or that the Company's oil and gas interests in the Palmar Largo concession will not produce at rates anticipated or at all. 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 Measurements

The Company utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including operating netback. Readers are referred to advisories and further discussion on non-GAAP

measurements contained in the Company's MD&A. Operating netback is a non - GAAP measure calculated as the average per boe of the Company's oil and gas sales, less royalties and operating costs.

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.