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[Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSX VENTURE:MVN)(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, Coiron Amargo block in the province of Neuquén, Argentina for cash consideration of US\$8.0 million (the "Purchase Price"). Madalena also 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 public offering of common shares of the Company (the "Common Shares") through a syndicate of agents co-led by RBC Capital Markets and Securities Inc. (the "Co-Lead Agents") and including Haywood Securities Inc., Industrial Alliance Securities Inc., CIBC Capital Markets and Securities Ltd. and Mackie Research Capital Corporation (collectively, and together with the Co-Lead Agents, the "Agents") for aggregate 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 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 Offering by the Company is consistent with the Company's stated business objectives and strategic goals of the exploration for and appraisal and development of oil and natural gas assets in Argentina. Upon completion of the Offering, the Company will be positioned to meet its 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 March 16, 2016 news release), Madalena intends to actively pursue a strategic partner to help further delineate the Lower Agrio shale and 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 preliminary review of geophysical and geological data on the block has been completed. The results of this study, combined with knowledge and data exchange for several horizontal multi-frac wells directly offsetting Coiron Amargo, will be used to finalize the location and drilling of the well. 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% processing 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 recoverable reserves and 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 completion programs to optimize results and reduce costs. In the event that the Offering is fully subscribed, the Company plans to drill additional 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 effective date of January 1, 2016. In addition, Madalena has an exclusive dealing period with the Vendor ending on March 30, 2016. The PSA is predicated on standard closing and post-closing adjustments and MASA acquiring clear title to the Assets, subject to encumbrances existing on the 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 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

block. The following table outlines some of the key characteristics of the Assets:

<i>Purchase Price</i>	US\$MM	8.0
<i>December 2015 Working Interest Production</i>	BOE/d	140
<i>Property Cash Flow (unaudited) ⁽¹⁾</i>	US\$MM/year	2.0
<i>2P reserves ⁽²⁾</i>	MBOE	536
<i>Acreage</i>	Net Acres	9,934
<i>Contingent Resources (best estimate) ⁽³⁾</i>	MMBOE	26
<i>Q4 2015 operating netback (unaudited) ⁽⁴⁾</i>	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 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
Total Proved	232	325	287
Probable	214	211	249
Proved + Probable	446	536	536

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
Total Proved	6,181	4,427	3,881
Probable	9,628	4,903	3,849
Proved + Probable	15,809	9,330	7,730

The Coiron Amargo block covers an area of approximately 100,000 (35,000 net to Madalena prior to the Acquisition) acres of land and approximately 1,000 km southwest of Buenos Aires in the Argentine province of Neuquén. The block is divided into two regions called Norte (northern portion of the block) and Coiron Amargo Sur (southern portion of the block). Coiron Amargo Norte is currently held under an exploitation (development) concession which was approved by the Province of Neuquén in 2012 and expires in 2038. All commitments and obligations 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 an extension to the evaluation phase period or enter into an exploitation (development) concession to further appraise the Coiron Amargo 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, the Vendor is increasing its interest in the Coiron Amargo block by 10%, Madalena's increased ownership in the block will be reduced to 3.89% (from its current 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 Muerta horizontal multi-frac well. The Company anticipates commencing operations in July, 2016. As of the date of this news release, there are 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 Prospectus, MASA will issue a ROFR notice to the appropriate parties and request a waiver and consent or confirmation of any desire 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. 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 the terms of the PSA.

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. This block is 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 per the Energy Information Administration. Large oil and gas companies have increased production to 30,000+ BOE/d in the Loma Campana block offsetting the Coiron Amargo block. In addition, a super major oil and gas company has been actively drilling horizontal multi-frac wells in Lorena and Sierras Blancas (not to be confused with the Sierras Blancas formation). Both blocks are offsetting the Coiron Amargo block. Madalena's Amargo partners have budgeted to drill one to two horizontal multi-frac wells in 2016 as part of the commitment on the exploration and development of the 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 the event the Acquisition closes, Madalena will seek to implement North American-style drilling and completion techniques in both the conventional and unconventional 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 per acre in the mapped area set out in the resource report prepared by GLJ in accordance with NI 51-101 and the COGE Handbook 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 completion factors.

The Offering

Pursuant to the Offering, Madalena has filed the Preliminary Prospectus and has engaged the Agents to offer for sale, on a commercial basis, agency basis, Common Shares of the Company for aggregate gross proceeds of up to CDN\$27.0 million. Madalena has also filed 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 over-allotment option will be approximately CDN\$31.1 million 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, will be used by the Company to fund the purchase price for the Acquisition and to undertake the operations set out in the Preliminary Prospectus. For more information, 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 the Instrument 44-101 - *Short Form Prospectus Distributions* and the Common Shares may be sold in the United States and other jurisdictions where there are exemptions from registration requirements.

The completion of the Offering is subject to certain conditions, including the receipt of all necessary regulatory approvals, including those 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

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 recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources 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 2015 release for the results of its independent resource reports effective as at September 30, 2015 and the associated reader advisories.

Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) assumes any 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 ARE NOT BEING 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 IT BE USED IN CONNECTION WITH THE SALE OF THE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

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