

CALGARY, April 21, 2016 /CNW/ - [Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to provide selected financial and operational information for the three months and year ended December 31, 2015.

Copies of the Company's consolidated financial statements for the year ended December 31, 2015, the related management's discussion and analysis and the Annual Information Form (the "AIF") of the Company have been filed with Canadian securities regulatory authorities and will be made available under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.madalenaenergy.com](http://www.madalenaenergy.com). All dollar figures are expressed in United States dollars unless otherwise stated. Prior year figures were previously reported in Canadian dollars and have been translated for comparative purposes as disclosed in the notes to the consolidated financial statements.

An updated corporate presentation is available on the Company's website.

## 2015 HIGHLIGHTS

Highlights for 2015 included:

- Oil and gas production averaged 3,274 boe/d (Q4-2014 &ndash; 4,075 boe/d) and 3,577 boe/d (2014 - 2,882 boe/d) for the fourth quarter and year, respectively;
- Proved plus probable reserves ("P+P") of 11.4 MMboe (2014 - 11.5 MMboe), primarily from the Company's conventional assets. Net present value of these P+P reserves before tax, discounted at 10% ("NPV10") was \$127.2 million (2014 - \$171.9 million);
- Argentina operating netbacks averaged \$21.07/boe in the fourth quarter (Q4-2014 - \$23.54/boe) and \$26.07/boe for the year (2014 - \$28.33/boe);
- Benchmark Medanito oil prices in 2015 averaged \$75.00/bbl for the quarter (Q4-2014 - \$83.60/bbl) and \$75.92/bbl for the year (2014 - \$80.35/bbl);
- Funds flow from operations were \$3.7 million (Q4-2014 &ndash; \$3.9 million) and \$27.8 million (2014 - \$16.5 million) for the quarter and year, respectively. Funds flow from operations were positively impacted by one-time oil price incentives of \$16.8 million;
- Exited the year with a positive working capital position of \$0.5 million which includes \$3.9 million of current Argentine bank debt. The Company has an additional \$2.0 million in long-term Argentine bank debt;
- Drilled, completed and placed on production three (35% WI) Sierras Blancas conventional light oil horizontal wells at Coiron Amargo and one (100% WI) Loma Montosa light oil multi-frac horizontal well at Riconada-Puesto Morales;
- Drilled one (100% WI) vertical exploration well in the quarter at Curamhuele and successfully completed the well in Q1-2016 with four hydraulic fractures, the upper three intervals being within the Lower Agrio shale and the lowest interval containing both the Lower Agrio shale and Mulichinco tight sand formations; and
- Drilled a fourth (35% WI) Sierras Blancas conventional light oil horizontal well at Coiron Amargo in the quarter and successfully completed and placed on production in the first quarter of 2016.

## SUMMARY FINANCIAL AND OPERATIONAL RESULTS

Three months ended Year ended

December 31                      December 31  
2015            2014            2015            2014

Financial &ndash; US Dollars (\$000s, except per share amounts)

Gross revenue <sup>(1)</sup>	18,304	23,446	97,505	65,873
Funds flow from operations <sup>(2)</sup>	3,693	3,918	27,801	16,475
Per share - basic & diluted <sup>(2)</sup>	0.01	0.01	0.05	0.04
Net loss <sup>(3)</sup>	(13,761)	(28,273)	(13,705)	(31,832)
Per share &ndash; basic and diluted <sup>(3)</sup>	(0.03)	(0.05)	(0.03)	(0.07)
Capital expenditures	12,707	11,542	41,417	36,105
Working capital	462	10,151	462	10,151

Equity outstanding &ndash; 000s

Common shares	542,083	539,782	542,083	539,782
Stock options	34,819	25,880	34,819	25,880

Operating

Average Daily Sales

Crude oil and Ngls &ndash; Bbls/d	2,671	2,991	2,880	2,035
Natural gas &ndash; Mcf/d	3,614	6,505	4,187	5,083
Total - boe /d	3,274	4,075	3,577	2,883

Average Sales Prices

Crude oil and Ngls - \$/Bbl	68.88	77.01	72.83	77.38
Natural gas - \$/Mcf	4.14	3.97	4.64	4.58
Total - \$/boe	60.77	62.85	64.06	62.72

Corporate Operating Netbacks<sup>(4)</sup>

\$/boe	21.07	23.54	26.07	28.33
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- (1) The year-end balance includes other income of \$13.9 million pursuant to the one-time settlement of the past Petroleo Plus incentive credits and \$2.9 million in oil incentive credit, \$0.7 million of which was recorded in Q4- 2015.
- (2) This table contains the term "funds flow from operations", which is a non-GAAP measure and should not be considered an alternative to, or more meaningful than "cash flows from operating activities" as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of the Company's performance. Funds flow from operations and funds flow from operations per share (basic and diluted) do not have any standardized meanings prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investment. The reconciliation between funds flow from operations and cash flows from operating activities can be found in "Management's Discussion and Analysis". Funds flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings (loss) per share.
- (3) Includes a pre-tax impairment charge on the Canadian assets in the amount of \$1.3 million for the three months ended December 31, 2015 (Q4 -2014 - \$24.1 million) and \$5.4 million for the year ended December 31, 2015 (2014 - \$26.9 million). Includes a pre-tax impairment charge on the Argentine assets in the amount of \$8.4 million for the three months and year ended December 31, 2015. There was no impairment on the Argentine assets in 2014.
- (4) 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.

#### ADVISOR RETAINED FOR CURAMHUELE

The Company has recently retained Evercore Group LLC as its exclusive financial advisor in connection with identifying and securing a joint venture partner for the Curamhuele block in Argentina to accelerate exploration and development activities on the block.

In addition, the Company is actively marketing certain of its other properties in Argentina with a view to enhance liquidity and meet commitments.

#### CANADA OPERATIONS UPDATE

On February 8, 2016, First Mountain Exploration Inc. ("First Mountain"), Point Loma Energy Ltd. ("Point Loma") and Madalena entered into a non-binding letter of intent pursuant to which, among other things, it is proposed that Point Loma will acquire Madalena's non-core Canadian oil and gas assets for a deemed aggregate purchase price of approximately \$4.0 million (CAD \$5.5 million).

It is anticipated that the Company will sign the asset purchase and sale agreement ("PSA") within the next two weeks. Proceeds will consist of 14,522,823 common shares of Point Loma, with a deemed value of \$1.8 million (CAD \$2.5 million), as well as a five-year \$2.2 million (CAD \$3 million) secured convertible debenture, bearing interest at 3% per annum, payable at the end of the debenture term. The effective date of this PSA is expected to be May 1, 2016, with closing expected on or about May 31, 2016, subject to certain terms and conditions, including the completion of a financing by the purchaser, as well as the successful acquisition (the "Acquisition") of Point Loma by First Mountain. The Acquisition will involve an exchange of publicly traded First Mountain common shares (TSXV: FMX) for all of the outstanding common shares of Point Loma including those received by Madalena as proceeds of the PSA.

#### ARGENTINA OPERATIONS UPDATE

Subsequent to the year-end, the Company fulfilled its remaining work obligation at Curamhuele by completing the Yapai.x-1001 well. Over a 55 day period, the well has produced 5,338 bbls oil (97 bopd), 7,311 bbls water (133 bbls/d) representing approximately 53% of the frac load fluid and 6.1 MMcf gas (110 mcf/d). The well has been flowing up five inch casing and the Company is currently evaluating equipping the well with tubing and artificial lift (pumping unit) to optimize production and further test the potential of the well.

Madalena expects Q1 - 2016 sales volumes to average approximately 3,000 boe/d.

#### 2016 OUTLOOK

The current macro-economic outlook in Argentina is increasingly positive. The recently elected government has implemented changes that are expected to revitalize Argentina's economy, attract foreign investment and enable the country to gain access to international credit markets.

The Company exited 2015 with a largely unleveraged balance sheet - positive working capital of \$0.5 million and a before tax, NPV10 proved plus probable reserves value of \$127.2 million, with \$2.0 of long-term bank debt and \$1.6 million of other long-term liabilities. However, during 2015 and to date in 2016, the Company has been unable to access additional capital on terms acceptable to the Company, which is required for liquidity purposes and to fund commitments on the Company's blocks in

Argentina. The current world-wide economic environment relating to the oil and gas industry has made access to capital challenging for many companies, Madalena included. This has resulted in liquidity challenges and unless the Company is able to raise additional capital or renegotiate its commitments, it does not expect that forecasted cash flows from operating activities will be sufficient to meet its anticipated 2016 and 2017 capital commitments. The Company is examining alternative sources of capital, including potential debt and equity financing and ways to monetize its assets, including, without limitation, asset sales or swaps, joint ventures or other transactions with industry partners, all with a view to enhancing liquidity and meeting commitments. The need to raise capital or defer expenditures to fund its anticipated 2016 and 2017 capital commitments creates uncertainty that may cast doubt over the Company's ability to continue as a going concern.

While the Company continues to actively investigate alternative sources of capital and opportunities to extend its drilling commitments to address these liquidity challenges and fulfill its commitments, until these issues are resolved, the Company will not be in a position to provide guidance on its 2016 capital program.

## About Madalena Energy

Madalena is an independent, Canadian-based 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 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.

## 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 properties held by the Company, production levels, the strategic value and opportunities available to Madalena, operational, business development and financial plans, and opportunities and the ability of Madalena to execute on such plans and opportunities and the Company's ability to meet its commitments 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; 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.

#### Initial Production Rates

Any references in this document to test rates, flow rates, initial and/or final raw test or production rates, early production, and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" or "frac" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Madalena. In addition, certain Madalena properties are unconventional resource plays which may be subject to high initial decline rates. Such rates may be estimated based on other third party estimates or limited data available at this time and are not determinative of the rates at which such wells will continue production and decline thereafter.

#### Drilling Locations

This press release refers to unbooked drilling locations. Unbooked locations are internal estimates based on Madalena's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Unbooked locations have been identified by management as an estimation of our future drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Madalena 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 we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, access restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.

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.

SOURCE [Madalena Energy Inc.](#)

#### Contact

Steven Sharpe, Interim President and Chief Executive Officer, [Madalena Energy Inc.](#), Phone: (403) 262-1901 (Ext. 232), [ssharpe@madalenaenergy.com](mailto:ssharpe@madalenaenergy.com); Thomas Love, CA, VP, Finance and Chief Financial Officer, [Madalena Energy Inc.](#), Phone: (403) 262-1901 (Ext. 227), [love@madalenaenergy.com](mailto:love@madalenaenergy.com)