

(All dollar figures are expressed in United States Dollars, unless otherwise noted)

CALGARY, May 8, 2017 /CNW/ - [Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce the successful completion of the strategic alternatives process which it initiated in June of 2016.

On May 8, 2017, Madalena entered into a series of agreements with Hispania Petroleum S.A., ("Hispania") a private, family-owned Spanish energy company which has operated in multiple countries, including Argentina, for three generations. The agreements provide for a package of debt and mezzanine financing which, once implemented, are expected to resolve Madalena's liquidity challenges (the "Working Capital Loan") and provides the Company access to growth capital for drilling and investment activities (the "Capex Loan").

Jose David Penafiel, Hispania's CEO, has been appointed CEO of Madalena, and he and Alejandro Augusto Penafiel will join Madalena's Board of Directors. In order for new management to successfully transition and streamline operations, the companies have entered into a services agreement (the "Services Agreement") whereby Hispania's personnel, in Argentina and elsewhere, will be made available to Madalena.

Jose David Penafiel, Madalena's new CEO, is highly qualified to oversee the next phase of Madalena's growth. Mr. Penafiel is a University of Oxford graduate and was the General Manager of Hispania's Argentina operations for 7 years. During that time, Mr. Penafiel successfully assisted Hispania's Chairman in negotiations to take over operatorship of Area Puesto Guardian, and also led successful negotiations to acquire the 40% stake held by Antrim Energy Inc. in Area Puesto Guardian in Argentina. Mr. Penafiel later concluded a farm-in agreement with President Energy PLC for a 50% stake in Area Puesto Guardian, and sold the remaining 50% stake of the concession in July 2014. Mr. Penafiel has managed multiple drilling campaigns in Argentina, as well as unconventional drilling operations in Texas in the Permian Basin. Mr. Penafiel brings to Madalena a long history working in the energy industry, with most of that experience focused in Latin America.

This transformative transaction provides Madalena with sophisticated leadership, financially aligned with shareholders and experienced in working in Argentina, and with committed growth capital. With leadership concentrated in Argentina, the Company can implement cost controls and can achieve meaningful efficiencies. The growth capital will enable the Company to properly develop its conventional and unconventional assets. In summary, this marks a new chapter for Madalena, with a renewed focus on operational productivity and enterprise growth.

#### Highlights:

The Company has entered into two credit facilities with Hispania, with a total of \$23 million of availability, which will be utilized on an as-needed basis:

- The Working Capital Loan is a multi-drawdown facility of up to \$6.5 million, which shall be used for general working capital purposes. Interest accrues at 7% per annum. Principal and interest on each drawdown is repayable thirty-six months after an advance of funds;
- The Capex Loan is a multi-drawdown convertible loan of up to \$16.5 million. The loan similarly accrues interest at 7% per annum, with each drawdown and accrued interest repayable thirty-six months after drawdown. The Capex Loan is convertible into units of the Company ("Units") with each Unit comprised of one common share ("Common Share") and 0.22 of a Common Share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase an additional Common Share. The Capex Loan is convertible based on a conversion price equal to a 5% premium to the 20-day volume weighted average price ("VWAP") of the Common Shares on the last trading date prior to a particular drawdown ("Conversion Price") in respect of the Common Shares comprising the Units. The exercise price of the Warrants issued upon conversion is also at a 5% premium to that 20-day VWAP. These Warrants expire 18 months after the date of issuance. Both Hispania and Madalena have the right to convert the whole or part of the principal and interest owing hereunder into Units on or before repayment, although Madalena's right to compel conversion is limited in some circumstances; and
- Both loans are secured, limited to the Company's interests in the Rinconada-Puesto Morales concession.

The Services Agreement has an initial term of one year, but may be extended by agreement. Pursuant to the Agreement, Hispania's personnel will provide:

- technical, operational, strategic and financial advice, direction and assistance in relation to the operation of Madalena's oil and natural gas properties, undeveloped lands and related assets in Argentina;
- advice to Madalena's officers and the board of directors regarding the business of Madalena; and
- such other services as requested by Madalena from time to time.

In association with the Services Agreement, Madalena will issue Warrants to Hispania in six consecutive monthly tranches of 4,758,333 Warrants. These Warrants will have an exercise price equal to the price of the Common Shares on the last trading day prior to issuance and will expire 18 months thereafter.

#### New Focus

The Company is reducing its Canadian presence as it transfers executive management functions to Argentina. To that end, Mr.

Steve Dabner, VP Exploration and New Ventures and Mr. Thomas Love, VP Finance and Chief Financial Officer will depart the Company. Mr. Dabner will depart immediately, and Mr. Love, effective May 31, 2017. The Madalena board of directors wishes to thank Messrs Dabner and Love for their significant contributions to the Company.

The Madalena board of directors wishes to extend its gratitude to its Chairman and Interim CEO, Steven Sharpe. Without his leadership, commitment and personal sacrifice, the Company would not have achieved this successful result, which positions Madalena to grow and prosper. As well as relinquishing his title as Interim President and CEO, Steven has expressed his intention to step down as the Chair, and has tendered his resignation as a Madalena director.

"My work here is done", Steven commented, "The challenges we have faced over the last while have been truly enormous, but I believe Madalena's future prospects are bright and its ability to pursue them assured. I have spent much time with Jose over the last months as we put this deal together. The Company is in good hands."

#### Shareholder Support

Maglan Capital LP, Madalena's largest shareholder, has expressed its full support of the transactions with Hispania and the appointment of the new CEO and directors.

David Tawil, President of Maglan Capital stated: "We are excited for the next chapter in Madalena's development. It speaks volumes about the quality of Madalena's assets and operations, that the Company was able to attract such a qualified and experienced investor group and leader."

Steven Azarbad, Chief Investment Officer of Maglan Capital added: "We are committed to working with the new CEO and the Board to realize the potential which we believe exists for all Madalena shareholders. We thank Mr. Sharpe and the rest of the board for their efforts in consummating this transaction."

#### About Hispania

Hispania Petroleum began operations in the 1980's focused initially on trading crude oil and products and then transitioned into exploration and production. Hispania has had great success operating in the Russian market with a steady increase in production since 1992 from the oil fields in the Perm region that it operates alongside its joint venture partner, Lukoil. Hispania began its operations in Argentina in 1991 after acquiring Area Puesto Guardian in the Noroeste basin. Hispania's operations in Argentina were focused on redeveloping Puesto Guardian's five oil fields. The company's redevelopment project was successful by maintaining low operational costs.

Mr. Jose David Penafiel stated: "We are excited about the opportunity to focus on Argentina once again. Madalena has solid production from its existing fields, and holds significant exploitation potential with the ability to materially grow production through a clearly thought out near-term drilling and completion program in its core Vaca Muerta position.

The Hispania group considers Argentina a very fertile location to build a major hydrocarbon producing business, making material investments in the local economy, engaging with well-connected partners, streamlining the local workforce while continuing to benefit the communities where the Company operates. We expect to achieve rapid progress in the short- to medium-term in this regard."

#### Annual and Special Meeting of Madalena Shareholders

These transactions are subject to certain regulatory and shareholder approvals. The Company expects to hold its annual and special meeting of shareholders in June, 2017 to, among other things, approve the Capex Loan and attend to annual meeting matters.

#### About Madalena Energy

Madalena is an independent, Canadian Argentine focused 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 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 matters related to addressing the Company's liquidity challenges, the Company's future plans and the timing of certain matters. 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.

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#### Contact

Jose David Penafiel, Chief Executive Officer, email: [jpenafiel@madalenaenergy.com](mailto:jpenafiel@madalenaenergy.com), phone: (403) 262-1901 ext 1; Thomas Love, VP, Finance and Chief Financial Officer, email: [tlove@madalenaenergy.com](mailto:tlove@madalenaenergy.com), phone: (403) 262-1901 ext 227