

# Madalena Announces 33% Growth in Proved Plus Probable Reserves and Operational Update

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BUENOS AIRES, Feb. 28, 2019 - [Madalena Energy Inc.](#) ("Madalena" or the "Company") (TSXV: MVN, OTCQX: MDLNF) is pleased to announce the results of its annual independent reserves assessment as at December 31, 2018.

*All dollar amounts are in United States dollars and all reserves and production volumes are on a working interest before royalties ("WI") basis and are expressed in barrels ("bbl") of oil equivalent ("boe"), unless otherwise indicated.*

Madalena's CEO Jose Penafiel commented: "In 2018, Madalena grew its reserves across all reserves categories, largely thanks to successful appraisal drilling and an initial pilot development plan being put in place for the Vaca Muerta shale on the Coiron Amargo Sur Este (CASE) block. Our newly acquired increased interest in the Palmar Largo block also contributed to reserves growth. We are excited to have generated this substantial reserves growth with the activity levels the Company had in 2018, in advance of 2019, during which we expect to significantly increase our Capex activity."

## 2018 Year-End Reserves Report: Discussion of Reserves

Madalena's year end 2018 reserves were evaluated by independent qualified reserves evaluators GLJ Petroleum Consultants Ltd. ("GLJ"). The evaluation of Madalena's properties in Argentina was done in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

The following tables summarize information contained in the independent reserves report prepared by GLJ with an effective date of December 31, 2018, dated February 22, 2019 (the "GLJ 2018 Report"), with comparatives to the independent reserves report prepared by GLJ with an effective date of December 31, 2017 (the "GLJ 2017 Report", and collectively with the GLJ 2018 Report and the GLJ 2017 Report, the "GLJ Reports"). Additional reserve information as required under NI 51-101 will be included in the Company's Annual Information Form which will be filed on SEDAR by April 30, 2019. Consistent with the Company's reporting currency, all amounts are in United States dollars unless otherwise noted.

*The recovery and reserve estimates provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein. In certain of the tables set forth below, the columns may not add due to rounding.*

All December 31, 2018 reserves presented are based on industry consensus pricing for January 1, 2019. Industry consensus pricing is based on the average price forecasts from the three largest reserves evaluation companies in Canada – GLJ Petroleum Consultants, McDaniel and Associates and Sproule Associates Limited. ("Industry Consensus"); all December 31, 2017 reserves presented are based on Industry Consensus pricing effective January 1, 2018.

Madalena's reserves are located in Argentina's Neuquen and Noroeste basins.

## 2018 Year-End Gross Reserves Volumes

Reserves Category	December 31,		Increase	
	2017	2018	over Dec 31, 2017	
	Mboe <sup>(1)</sup>	Mboe <sup>(1)(2)</sup>	%	%
Proved Developed Producing (PDP)	2,040	2,245	10	%
Proved Developed Non-Producing	586	838	43	%
Proved Undeveloped	1,008	1,795	78	%
Proved (1P)	3,634	4,878	34	%
Probable	4,467	5,866	31	%
Proved + Probable (2P)	8,101	10,744	33	%
Possible <sup>(3)</sup>	4,579	7,928	73	%
Proved + Probable + Possible (3P)	12,680	18,672	47	%

(1) Mboe is defined as thousand barrels of oil equivalent.

(2) All reserves are presented as Madalena working interest before royalties. 2018 net reserves after royalties are: PDP 1,854 Mboe, proved developed non-producing 704 Mboe, proved undeveloped 1,501 Mboe, 1P 4,059 Mboe, 2P 9,005 Mboe and 3P 15,718 Mboe.

(3) Please refer to the "Oil and Gas Advisory" section for a description of each reserve category. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities recovered will equal or exceed the sum of proved plus probable plus possible reserves.

#### 2018 Gross Reserves by Block

Block	Proved +		
	Proved	Probable	Possible
	Mboe(1)	Mboe(1)	Mboe(1)
Coiron Amargo Norte (CAN)	325	871	1,227
Coiron Amargo Sur Este (CASE)	984	3,797	8,900
Palmar Largo	661	731	765
Puesto Morales	2,030	3,640	4,994
Surubi	664	1,261	2,260
Other Blocks	214	444	526
Total	4,878	10,744	18,672

(1) All reserves are presented as Madalena working interest before royalties. Please refer to the "Oil and Gas Advisory" section for a description of each reserve category. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities recovered will equal or exceed the sum of proved plus probable plus possible reserves.

#### 2018 Gross Year-End Reserves Volumes by Product Type (1)

Product Type	Proved	Total	Total	Proved +
	Developed	Proved +	Proved +	Probable +
	Producing	Probable	Probable	Possible
Light & Medium Crude Oil (Mbbbl) <sup>(2)</sup>	1,698	3,250	5,885	8,392
Tight Crude Oil (Mbbbl)	186	962	3,714	8,705
Conventional Natural Gas (MMcf) <sup>(3)</sup>	2,162	3,865	6,376	8,278
Shale Gas (MMcf) <sup>(3)</sup>	0	127	498	1,171
Oil Equivalent (Mboe)	2,245	4,878	10,744	18,672

(1) All reserves are presented as Madalena working interest before royalties. Please refer to the "Oil and Gas Advisory" section for a description of each reserve category. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities recovered will equal or exceed the sum of proved plus probable plus possible reserves.

(2) Mbbl is defined as thousands of barrels

(3) MMcf is defined as one million cubic feet

## Crude Oil Price Forecast &ndash; GLJ Report

The price forecast used for the GLJ Report is based on Industry Consensus pricing for January 1, 2019.

Forecast Prices used in Estimates effective January 1, 2019

### Brent Blend Crude Oil

Year % Inflation USD/bbl

2019	0.0	65.92
2020	2.0	69.47
2021	2.0	71.65
2022	2.0	73.72
2023	2.0	75.58
2024	2.0	77.39
2025	2.0	79.27
2026	2.0	81.27
2027	2.0	82.88
2028	2.0	84.54
2029	2.0	86.21
2030	2.0	87.93
2031	2.0	89.68
2032	2.0	91.49
2033	2.0	93.32
2034	2.0	+2.0%/yr

### Reconciliation of Brent Price Forecast

	2018	2019	2020	2021	2022	2023
Brent (USD\$/bbl) &ndash; January 1, 2018	62.33	63.93	66.13	70.37	73.23	75.21
Brent (USD\$/bbl) &ndash; January 1, 2019	71.59(1)	65.92	69.47	71.65	73.72	75.58

(1) Actual 2018 ICE Brent average price

### Reserves Net Present Value Before Tax Summary &ndash; Industry Consensus Pricing Forecast (1)

Reserves Category	NPV10 December 31, 2017 (MM)
Proved Developed Producing (PDP)	\$35.0
Proved Developed Non-Producing	\$6.3
Proved Undeveloped	\$3.3
Proved (1P)	\$29.7
Probable	\$5.3
Proved + Probable (2P)	\$35.7
Possible(2)	\$3.2
Proved + Probable + Possible (3P)	\$39.9

(1) Net present values (&ldquo;NPV10&rdquo;) are stated in USD and are discounted at 10 percent. Please refer to the &ldquo;Oil and Gas

Advisory section for a description of each reserve category. The forecast prices used in the calculation of the present value of future net revenue are based on the Industry Consensus January 1, 2018 and Industry Consensus January 1, 2019 price forecasts, respectively. The Industry Consensus January 1, 2019 price forecast will be included in the Company's Annual Information Form.

(2) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities recovered will equal or exceed the sum of proved plus probable plus possible reserves.

### Reserves Net Present Value After Tax Summary &ndash; GLJ Brent Forecast (1)

Reserves Category	Net Present Value
	December 31, 2017 (MM)
Proved Developed Producing (PDP)	\$332
Proved Developed Non-Producing	\$83
Proved Undeveloped	\$502
Proved (1P)	\$781
Probable	\$303
Proved + Probable (2P)	\$622
Possible(2)	\$928
Proved + Probable + Possible (3P)	\$205.0

(1) Net present values are stated in USD and are discounted at 10 percent. All reserves are presented as Madalena working interest before royalties. Please refer to the "Oil and Gas Advisory" section for a description of each reserve category. The forecast prices used in the calculation of the present value of future net revenue are based on the Industry Consensus January 1, 2018 and Industry Consensus January 1, 2019 price forecasts, respectively. The Industry Consensus January 1, 2019 price forecast will be included in the Company's Annual Information Form.

(2) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities recovered will equal or exceed the sum of proved plus probable plus possible reserves.

### Reserve Life Index ("RLI")

	Dec. 31, 2017(1)	Dec. 31, 2018(2)
Proved Developed Producing (PDP)	3.0	3.6
Proved (1P)	5.3	7.7
Proved Plus Probable (2P)	11.8	17.0

(1) Calculated by dividing the amount of the relevant reserves category by average Q4 2017 production of 1,872 boe/d annualized.

(2) Calculated by dividing the amount of the relevant reserves category by estimated average Q4 2018 production of 1,730 boe/d annualized.

### 2018 Year-End Gross Reserves Reconciliation Company

	Total Proved	Total Proved + Probable	Total Proved + Probable + Possible
	Mboe	Mboe	Mboe
31-Dec-17	3,634	8,101	12,680
Technical Revisions	341	138	229
Extensions & Improved Recovery(1)	979	2,538	5,772
Acquisitions(2)	529	552	563
Economic Factors	18	41	53
Production	-625	-625	-625

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December 31, 2018(3)	4,878	10,744	18,672
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Extensions & improved recovery are predominantly associated with the evaluations of the Coiron Amargo Sur Este (CASE) block.

1. Reserve acquisitions are associated with the evaluations of the Palmar Largo block.
2. Subject to final reconciliation adjustments. All reserves are presented as Madalena working interest before royalties. Please refer to the "Oil and Gas Advisory" section for a description of each reserve category. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities recovered will equal or exceed the sum of proved plus probable plus possible reserves. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

#### Future Development Costs

FDC reflects GLJ's best estimate of what it will cost to bring the proved undeveloped and probable reserves on production. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities, and changes in capital cost estimates based on improvements in well design and performance, as well as changes in service costs. FDC for total 2P Argentina reserves increased to \$143.3 million at year-end 2018 from \$94 million at year-end 2017.

(\$ millions)	Total Proved	Total Proved Plus Probable
2019	17.8	21.7
2020	9.9	41.6
2021	11.1	40.1
2022	15.0	39.9
2023	-	-
Remainder	-	-
Total (undiscounted)	53.7	143.3

#### Operational Update

##### *Palmar Largo and Surubi*

A workover has been successfully performed during February in the Proa-3 light oil well on the Surubi Block (85% operated). A producing formation has been re-perforated and a new artificial lift configuration has been run in order to increase production. A production test is currently in progress. Taking advantage of cost synergies, the workover rig will be mobilized to the adjacent Palmar Largo block (100% operated), where the Company recently increased its working interest from 14% to 100%, to perform additional workovers.

##### *Curamhuele (90% operated)*

As announced previously the company is continuing efforts to farm out an interest in the block to secure a strategic partner as part of its strategy to develop Curamhuele's unconventional resource potential. However, Madalena is committed to drilling and testing the well at its own cost if a farm out transaction is not completed. The Company believes the block to be prospective in both the condensate/wet gas window and the dry gas window of the Vaca Muerta formation. The Company believes the block is also prospective in the Lower Agrio formation which was previously tested vertically by the company. Offset activity has increased in the blocks adjacent to Curamhuele with Chevron announcing an 8 well appraisal program targeting the Vaca Muerta formation in the adjacent El Trapial block with an estimated capex investment of \$200 million.

#### About Madalena Energy

Madalena is an independent upstream oil and gas company with both conventional and unconventional oil and gas operations in Argentina. The Company's shares trade on the TSX Venture Exchange under the symbol MVN and on the OTCQX under the symbol MDLNF.

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Reader Advisories

#### *Oil and Gas Advisories*

*The recovery and reserve estimates of crude oil reserves provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil reserves may eventually prove to be greater than, or less than, the estimates provided herein. All December 31, 2018 reserves presented are based on Industry Consensus pricing effective January 1, 2019. All December 31, 2017 reserves presented are based on Industry Consensus pricing effective January 1, 2018.*

*It should not be assumed that the estimates of future net revenues presented herein represent the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves. The estimates of net present values for individual properties may not reflect the same confidence level as estimates of net present values for all properties, due to the effects of aggregation.*

*"Proved Developed Producing Reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.*

*"Proved Developed Non-Producing Reserves" are those reserves that either have not been on production or have previously been on production but are shut-in and the date of resumption of production is unknown.*

*"Proved Undeveloped Reserves" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g. when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.*

*"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.*

*"Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.*

*"Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.*

*The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). Boes may be misleading, particularly if used in isolation. A boe conversation ratio of 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. Given 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 at 6:1 may be misleading as an indication of value.*

*Light crude oil is crude oil with a relative density greater than 31.1 degrees API gravity, medium crude oil is*

*crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity, and heavy crude oil is crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity.*

*With respect to finding and development costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.*

*This press release contains several oil and gas metrics, including F&D costs, FD&A costs, and RLI. These oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods and therefore such metric should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide security holders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this news release, should not be relied upon for investment or other purposes. A summary of the calculations of such metrics are as follows:*

*Finding and development ("F&D") costs are calculated by dividing capital expenditures by the change in reserves within the applicable reserves category. F&D costs, including FDC, include all capital expenditures in the year as well as the change in FDC required to bring the reserves within the specified reserves category on production.*

*Finding, development and acquisition ("FD&A") costs represent the costs of property acquisition, exploration, and development incurred. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.*

*FD&A costs are calculated as capital expenditures plus net acquisition costs plus change in FDC. FD&A per boe is calculated as FD&A costs divided by reserves additions for the applicable period.*

*Reserves life index is calculated by dividing the applicable reserves category by the annualized fourth quarter production.*

#### *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, the Company's expected operations and results in the Palmar Largo, Surubi and Curamhuele blocks, amounts and allocations of capital expenditure increases expected for 2019, statements relating to "reserves" which are, by their nature, forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves or resources, as applicable, described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. The recovery and reserve estimates of Madalena's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. 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.*

*In addition to other factors and assumptions which may be identified in this news release, assumptions have been made regarding, among other things, anticipated production volumes; the timing of drilling wells and mobilizing drilling rigs; the number of wells to be drilled; anticipated capital expenditures, the Company's ability, or the ability of operating partners of the Company, as applicable, to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business; future capital expenditures to be made by the Company; sources of funding for the Company's capital*

*programs; geological and engineering estimates in respect of the Company's reserves and resources; current commodity prices and royalty regimes; availability of skilled labour; future exchange rates; the price of oil; conditions in general economic and financial markets; effects of regulation by governmental agencies; future operating costs; recoverability of reserves and future production rates; and that the estimates of Madalena's reserves and resource volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; and other matters.*

*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; unforeseen changes in the rate of production from Madalena's oil and gas properties; adverse technical factors associated with exploration, development, production or transportation of Madalena's crude oil reserves; 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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