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Madalena Announces Closing of Transformational and Strategic Acquisition in Argentina and Proa-3 Well Results on Surubi Block

Calgary, June 25, 2014: Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTC: MDLNF), is pleased to announce that it has closed the acquisition (the "Acquisition") of the Argentinean business unit of Gran Tierra Energy Inc. ("**Gran Tierra**").

The Acquisition is highly accretive and includes Proved and Probable ("**2P**") reserves of 6,513 Mboe at December 31, 2013, estimated current production of approximately 3,300 Boe/d (~78% oil), 11 exploration and production blocks comprising approximately 890,000 net acres and a fully functional independent business unit in Argentina, with an experienced technical and operational team. The purchase price was US\$63 million, payable in US\$49 million cash and 29,831,537 common shares of Madalena ("**Common Shares**") at a deemed issue price of CDN\$0.51 (US\$0.469).

The Acquisition provides Madalena with a solid platform for growth which more than triples the Company's production base and significantly increases cash flow from its Argentinean assets. Madalena's current corporate production is estimated to be approximately 4,900 Boe/d (~72% oil and NGLs), ~80% of which is from Argentina. Associated cash flow is expected to be reinvested into both high impact conventional opportunities in Argentina and to accelerate the delineation of the Company's unconventional shale and tight sand resources within the Neuquén basin. Madalena now has a strong portfolio of assets with exposure to a low decline stable production base, an extensive inventory of low risk development drilling opportunities, a seismically and technically defined conventional portfolio of assets, and significant unconventional shale (Vaca Muerta, Lower Agrio and Los Monos shales) and tight sand resources.

Madalena estimates annual cash flow from operations of US\$35 – US\$45 million over the next twelve months which is expected to provide the Company with the ability, when combined with cash on hand and available credit, to execute a US\$50 – US\$60 million capital program over the next 12 to 18 months while maintaining a strong balance sheet. Madalena will provide additional go-forward guidance in due course following consideration of a consolidated budget by the Madalena board of directors.

Acquisition Highlights

- Acquisition cost per flowing boe of approximately **US\$19,091**, based on current estimated production of 3,300 Boe/d;
- Reserve life index of **5.41 years**, based on current estimated production and adjusted 2P reserves;
- Recycle ratio of approximately **2.1x**, based on Q1-2014 operating property netbacks of **US\$33.93/Boe** and acquisition costs of approximately US\$16.12/Boe;
- Key producing infrastructure, including batteries and pipelines;
- Approximately **890,000 net acres** of developed and undeveloped land; and
- Lands have an average working interest of approximately **83%**, and the net production acquired is more than **94%** operated.

The following is a summary of production, land and reserves information that is relevant to Madalena, prior to, and following, the Acquisition:

	<u>Madalena</u> ⁽¹⁾	<u>Acquisition</u> ⁽²⁾	<u>Adjustments</u> ⁽³⁾	<u>Pro Forma</u>
<u>Current Production</u> ⁽⁶⁾				
Oil and NGLs (Bbl/d)	960	2,610	-	3,570
Gas (Mcf/d)	3,840	4,150	-	7,990
Boe (Boe/d)	1,600	3,300	-	4,900
Oil and NGLs (%)	60	79	-	72
Land (net acres)	239,000	890,000	-	1,129,000
<u>RESERVES</u> ⁽⁴⁾				
<u>Proved</u>				
Oil and NGL (Mbbbl)	1,350	4,248	(612)	4,986
Gas (MMcf)	8,032	5,599	(510)	13,121
MBOE (6:1)	2,689	5,181	(697)	7,173
<u>Proved plus Probable</u>				
Oil and NGLs (Mbbbl)	2,373	6,295	(900)	7,768
Gas (MMcf)	13,651	7,615	(900)	20,366
MBOE (6:1)	4,648	7,563	(1,050)	11,161
Proved FDC ⁽⁵⁾ (US\$MM)	20	46	(21)	45
Proved plus Probable FDC (US\$MM)	33	77	(35)	75
<u>Accretion Analysis</u>	<u>Madalena</u>	<u>Acquisition</u>	<u>Pro Forma</u>	<u>Accretion</u>
Diluted Shares (MM)	413.5	127.9	541.4	-
Proved Reserves				
(Boe per MM Common Shares)	6.5	40.5	13.3	104%
2P Reserves				
(Boe per MM Common Shares)	11.2	59.1	20.6	83%
Current Production				
(Boe/d per MM Common Shares)	3.9	25.8	9.1	134%

Notes:

1. Based on the independent reserve reports of Madalena evaluating the crude oil, natural gas liquids and natural gas reserves of the Company as at December 31, 2013 prepared by an independent reserves evaluator in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and the COGE Handbook.
2. Based on the independent reserve reports of Gran Tierra evaluating the crude oil, natural gas liquids and natural gas reserves of Gran Tierra as at December 31, 2013 prepared by an independent reserves evaluator in accordance with NI 51-101 and the COGE Handbook.
3. Adjustments to the acquisition reserves were made pursuant to internal management estimates conducted by a qualified reserves engineer. Adjustments consisted of reduced PUD locations due to rescheduling or removal of proven undeveloped and probable locations on the subject assets and acreage consolidations.
4. Reserves are "gross reserves", being working interest share of reserves before the deduction of royalties owned by others.
5. "FDC" means future development costs. Madalena converted to US\$ at 0.92US/CDN.
6. Based on field estimates.

Rationale for the Acquisition

- Highly accretive on all metrics and more than triples the Company's production base.
- Strong cash flow from the conventional asset bases that can be directed towards accelerating development of Madalena's unconventional shale oil and gas plays in Argentina.
- Strengthens Madalena's Argentinean operations by adding a fully integrated professional and operating team "on the ground" in Argentina.

- Enhances and improves the Company's flexibility regarding the future delineation of, or transactions associated with, Madalena's current unconventional shale assets in Argentina.
- Strategically positions Madalena as a strengthened and emerging oil and gas producer.
- Improves Madalena's access to exploration and production services in Argentina.

Advisors

Dundee Securities Ltd. has acted as financial advisor to Madalena with respect to the Acquisition. RBC Capital Markets has acted as strategic advisor to Madalena with respect to the Acquisition.

Proa-3 Well Results on the Surubi Block in Formosa Province, Argentina

The Surubi Block is located within the Noroeste Basin of Argentina. Madalena Energy has an 85% working interest and is the operator. Recursos y Energia de Formosa S.A. retains the remaining 15% working interest.

Gran Tierra recently drilled, completed, tested and placed on-stream the Proa-3 development well. The well was drilled to a depth of approximately 3,920 metres and encountered oil in the Palmar Largo formation, as targeted. The well was perforated in the Palmar Largo formation between the depths of 3,858.5 metres and 3,866.5 metres and was subsequently tested.

Following the perforating and initial clean-up flow, bottomhole pressure gauges were set and the well was flow tested on three increasing choke sizes of 10, 12 and 16mm for 8 hours each. Oil rates and flow pressures stabilized for each choke setting at the following levels: 1,100 bbls/d oil at 505 psi, 1,240 bbls/d oil at 410 psi and 1,540 bbls/d at 300 psi, respectively. The water cut was stable throughout the flow test at approximately 3%. The well was then shut-in to record pressure build-up. Pressure gauges were subsequently recovered and the well was placed on production on June 16, 2014. The Proa-3 well is currently producing at gross rates of between 600 to 700 bbls/d of oil.

Oil production from the Proa-3 well has been included in the total corporate production rates estimated above at rates less than the test and initial production rates disclosed to account for expected declines. The Company plans to manage production from this well to maximize oil recovery from the Proa Palmar Largo oil pool.

About Madalena – International and Domestic Assets (Pre-Acquisition)

Madalena is an independent, Canadian-based, international and domestic upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.

Internationally, Madalena holds 14 large land blocks within five provinces in Argentina where it is focused on the delineation of large petroleum in-place shale and unconventional resources in the Vaca Muerta and Lower Agrio shales, in addition to multiple tight sand plays. The Company is also implementing horizontal drilling and completions technology to high impact conventional and resource plays.

Domestically, Madalena's core area of operations is located in the Greater Paddle River area of west-central Alberta where the Company holds approximately 195 gross (153 net) sections of land (approximately 78% average W.I.) encompassing light oil and liquids-rich gas resource plays. Madalena's primary domestic focus is to exploit its large inventory of horizontal drilling locations on its Ostracod oil and emerging oil & liquids-rich gas resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN. Basic corporate information, recent news releases and regularly updated corporate presentations are available on the Company's website at www.madalenaenergy.com

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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 Acquisition, including the characteristics of the Argentinean business unit being acquired and other expectations related thereto, including pro forma cash flow and current and future production levels, the strategic value and opportunities available to Madalena and the ability of Madalena to execute its business plan following the completion of the Acquisition. Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. 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 particular, this news release contains forward-looking statements pertaining to operational activities to be conducted by the Company. 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.

Non-GAAP Measures

This document contains the term "cash flow" and "net backs", which do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Madalena uses cash flow and net backs to analyze financial and operating performance. Madalena feels this benchmark is a key measure of profitability for Madalena. This term is commonly used in the oil and gas industry. Cash flow is not intended to represent operating profits nor should it be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Cash flows are calculated as cash flows from operating activities less changes in non-cash working capital.

Information Regarding Disclosure on Reserves

The reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties, companies or business units, as adjusted, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

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.

Initial Production Rates

Any references in this document to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes 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" 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, the rates referred to herein 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. Particular reference is made to the Proa-3 results referred to herein. While Madalena is very encouraged by the initial results from this well, the testing information and the initial production information disclosed herein should be considered preliminary and may not be indicative of the well's long term performance.

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