

FIRST MOUNTAIN EXPLORATION, POINT LOMA ENERGY & MADALENA ENERGY ANNOUNCE ENTERING INTO DEFINITIVE AGREEMENTS IN CONNECTION WITH PROPOSED TRANSACTION

Calgary, May 17, 2016 - First Mountain Exploration Inc. ("**First Mountain**") (TSX Venture: FMX), Point Loma Energy Ltd. ("**Point Loma**") and Madalena Energy Inc. (TSXV: MVN and OTCQX: MDLNF) ("**Madalena**") are pleased to announce that, further to their joint news release dated February 9, 2016, First Mountain, Point Loma and Madalena have entered into definitive arm's length agreements dated May 16, 2016 pursuant to which: (i) Point Loma will acquire Madalena's non-core Canadian petroleum and natural gas assets focused in the Paddle River area of Alberta (the "**Madalena Acquisition**"); (ii) First Mountain will make an offer to acquire all of the issued and outstanding common shares ("**Point Loma Shares**") in the capital of Point Loma in exchange for the issuance of common shares ("**First Mountain Shares**") in the capital of First Mountain (the "**Point Loma Acquisition**"); and (iii) First Mountain will complete a 10:1 share consolidation, change its name to "Point Loma Resources Ltd." and its management and board will be reconstituted (the "**Point Loma Reorganization**", and together with the Madalena Acquisition and the Point Loma Acquisition, the "**Transaction**").

Since the initial announcement, Point Loma and First Mountain have collectively completed or entered into definitive agreements (with all such funds being held in escrow) relating to financings for aggregate gross proceeds of approximately \$2.0 million (the "**Financings**").

Upon completion of the proposed Transaction, the resulting entity, Point Loma Resources Ltd. (formerly First Mountain), will be a recapitalized, junior oil and natural gas exploration and production company listed on the TSX Venture Exchange ("**TSXV**") with a consolidated and focused exploration play in the Paddle River area of Alberta.

Point Loma Resulting Issuer Highlights:

- 135 boe/d of production, 70% oil and liquids;
- Point Loma has negotiated access to processing capacity to allow a further 750 boepd to be tied in at favourable processing rates;
- approximately 200,000 net acres of undeveloped land;
- new management team with significant exploration, development and operating experience (see "Management and Board of Point Loma Resources Ltd." below); and
- new experienced board of directors.

The Madalena Acquisition

Pursuant to a purchase and sale agreement between Point Loma and Madalena dated May 16, 2016, Point Loma will acquire Madalena's non-core Canadian assets for an aggregate purchase price of \$5.5 million, prior to closing adjustments, consisting of: (i) 14,522,823 Point Loma Shares (6,244,814 post-consolidated First Mountain Shares with a deemed value of \$0.40 per First Mountain Share) with a deemed value of approximately \$2.5 million; and (ii) a \$3.0 million principal amount 3% subordinate secured convertible debenture due five years from closing of the Madalena Acquisition and convertible into post-consolidated First Mountain Shares at a price of \$0.50 per First Mountain Share. Interest on the debenture will accrue but not be due until maturity.

The Madalena Acquisition is expected to close on or about June 1, 2016, immediately prior to the closing of the Point Loma Acquisition, and is subject to a number of terms and conditions including the Point Loma Acquisition being unconditional and approval of the TSXV.

The assets are concentrated in the Paddle River area of Alberta and are currently producing approximately 135 boepd of 70% medium grade oil. Along with the producing wells, Point Loma will also acquire a significant Canadian land base of approximately 71,000 net acres of land contiguous to Point Loma's current assets in the area.

After completion of the Madalena Acquisition, Madalena will be a pure play Argentina focused, international oil and gas company.

The Point Loma Acquisition

Pursuant to a pre-acquisition agreement (the "**Pre-Acquisition Agreement**") between First Mountain and Point Loma dated May 16, 2016, First Mountain will make an offer to purchase all of the issued and outstanding Point Loma Shares, including those Point Loma Shares issuable pursuant to the Financing and the Madalena Acquisition. The Point Loma Shares will be taken up on the basis of 0.43 First Mountain Shares (on a post-consolidated basis) for each Point Loma Share. It is expected that an aggregate of 17,941,379 First Mountain Shares (on a post-consolidated basis) will be issuable in connection with the Point Loma Acquisition, including: (i) 8,449,387 First Mountain Shares (on a post-consolidated basis) issuable to existing holders of Point Loma Shares; (ii) 6,244,814 First Mountain Shares (on a post-consolidated basis) issuable to Madalena; and (iii) 3,247,178 First Mountain Shares (on a post-consolidated basis) issuable to holders of Subscription Receipts (as defined below), all at a deemed value of \$0.40 per First Mountain Share (on a post-consolidated basis), for aggregate deemed consideration of approximately \$7.2 million. Concurrent to the execution of the Pre-Acquisition Agreement, directors, officers and significant shareholders of Point Loma holding approximately 34.2% of the issued and outstanding Point Loma Shares have entered into lock-up agreements pursuant to which they have agreed to tender their Point Loma Shares to First Mountain.

It is intended that the Point Loma Acquisition shall be completed by way of an exempt takeover bid pursuant to Section 4.3 of Multilateral Instrument 62-104 *Take-Over and Issuer Bids*.

The Point Loma Acquisition is expected to close concurrently with the completion of the Madalena Acquisition, on or about June 1, 2016, and is subject to a number of terms and conditions, including a minimum tender condition of 66 2/3% of the Point Loma Shares, the completion of the Madalena Acquisition and the approval of the TSXV.

The Financings

Point Loma and First Mountain have completed or entered into definitive agreements relating to the Financings for aggregate gross proceeds, to be released on completion of the Transaction, of approximately \$2.0 million. The Financings consisted of:

- A private placement financing of Point Loma completed on May 4, 2016 of an aggregate of 7,551,576 subscription receipts ("**Subscription Receipts**") of Point Loma for gross proceeds of approximately \$1.4 million ("**Private Placement**"). If all outstanding conditions to the completion of the Madalena Acquisition and the Point Loma Acquisition are met and all necessary approvals have been obtained, the proceeds will be released from escrow to Point Loma and the Subscription Receipts will be exchanged for an aggregate of 7,551,576

Point Loma Shares, with 2,664,046 of such Point Loma Shares issued on a “flow-through basis” pursuant to the *Income Tax Act* (Canada), for no additional consideration. The Subscription Receipts relating to the Point Loma Shares to be issued on a “flow-through basis” were issued at a price of \$0.21 per Subscription Receipt and the remaining Subscription Receipts were issued at a price of \$0.17 per Subscription Receipt.

- A private placement financing of First Mountain to be completed concurrently with the Transaction, for \$650,000 principal amount of 7% junior subordinate secured convertible debentures of First Mountain, to be issued at par, due two years from the date of issuance and convertible into First Mountain Shares (on a post-consolidated basis) at a price of \$0.40 per First Mountain Share (“**Debenture Financing**”). Interest on the debenture will be payable on a monthly basis. The \$650,000 subscription amount has been delivered in escrow with counsel. Closing of the Debenture Financing is subject to acceptance by the TSXV.

The proceeds of the Financings will be used to place some of the acquired Madalena wells back on production and to conduct other oil and gas operations.

Point Loma Reorganization

On May 3, 2016, First Mountain mailed its information circular, proxy statement and related materials in connection with its annual and special meeting of the shareholders of First Mountain to be held May 27, 2016. At the meeting, shareholders of First Mountain will be asked to consider and approve certain resolutions including resolutions authorizing a consolidation of First Mountain Shares on the basis of ten (10) pre-consolidated First Mountain Shares for each one (1) post-consolidated First Mountain Share (the “**Share Consolidation**”) and resolutions authorizing First Mountain to change its name to “Point Loma Resources Ltd.” (the “**Name Change**”).

First Mountain expects to implement the Share Consolidation immediately prior to the Point Loma Acquisition, and to implement the Name Change immediately after the completion of the Point Loma Acquisition.

Management and Board of Point Loma Resources Ltd.

On completion of the Point Loma Acquisition, the current management team of First Mountain will resign and the new management team will consist of:

Terry Meek, P. Eng. - President and Chief Executive Officer

Mr. Meek is currently the President and Chief Executive Officer at Point Loma. Mr. Meek has 31 years of experience in the conventional and unconventional oil and gas industry. He was previously a founder, Executive Vice President and Chief Operating Officer of the coal bed methane company Ember Resources Inc. from 2005 to 2011. He was also a founder, Engineering Vice President and Chief Operating Officer of Thunder Energy Inc. from 1995 to 2005, during which time Thunder's market capital grew to over \$600 million. Mr. Meek is a Professional Engineer and a member of the Association of Professional Engineers and Geoscientists of Alberta.

Kevin Angus, P. Geoph., ICD.D - Executive Vice President, Business Development

Mr. Angus is currently the Executive Vice President, Business Development at Point Loma, and a director of Painted Pony Petroleum Ltd. Mr. Angus has 33 years of geotechnical experience. He has previously been a co-founder of three public oil and gas companies, Mustang Resources Inc., Pegasus Oil & Gas Inc., and Surge Energy Inc. He was also the founding board member of Painted Pony. Mr. Angus has also held positions with Husky Energy Inc., Ulster Petroleum Ltd. and Archean Energy Ltd. Mr. Angus is a Professional Geophysicist and member of the Association of Professional Engineers and Geoscientists of Alberta as well as a member of the Institute of Corporate Directors and holds an ICD.D designation.

Scott Alanen, CA, CBV - Vice President, Finance and Chief Financial Officer

Mr. Alanen is currently the Vice President, Finance and Chief Financial Officer at Point Loma. He has over 13 years of experience in the oil and gas industry. Mr. Alanen was previously the Controller for a private group of companies and Chief Financial Officer of Sunridge Energy Corp. Prior thereto Mr. Alanen was the Manager, Financial Reporting at Ember Resources Inc., Manager, Financial Reporting at Canexus Corporation and a senior auditor with a national accounting firm. Mr. Alanen is a Chartered Accountant and Chartered Business Valuator in good standing with both the Canadian and Alberta Institutes of Chartered Accountants and the Canadian Institute of Chartered Business Valuators.

Dan Boyko, P. Eng. - Vice President, Engineering

Mr. Boyko is currently the Vice President, Engineering at Point Loma. He has 33 years of experience in the petroleum industry. Mr. Boyko has previously served as the Vice President of Business Development at Open Range Energy Corp., and has acted as a Petroleum Engineering Consultant for various companies including NAL Resources, Devon Energy Canada, Lone Pine Resources and Pioneer Natural Resources. Mr. Boyko has also served as Team Lead and Senior Engineer with POCO Petroleum Ltd. focusing on West Central Alberta oil and gas assets. Mr. Boyko graduated from the University of Tulsa with a Bachelor of Science degree in Petroleum Engineering. He is a Professional Engineer and a member of the Association of Professional Engineers and Geoscientists of Alberta.

Brad Johnston, B. Comm. - Vice President, Land

Mr. Johnston is currently the Vice President, Land at Point Loma. He has 16 years of experience in the oil and gas industry, both internationally and in Western Canada, with a focus on negotiating transactions for joint ventures, acquisitions, and divestitures. Mr. Johnston has previously held positions with Cabre Exploration Ltd., Nexen Inc. and Galleon Energy Inc. Prior to joining Point Loma Mr. Johnston most recently held the title of Vice President, Land with Carnaby Energy Ltd. Mr. Johnston holds a Bachelor of Commerce degree from the University of Calgary with a major in Petroleum Land Management and is a member of the Canadian Association of Petroleum Landmen.

Gord Cameron, LLB - Corporate Secretary

Mr. Cameron is a partner at McCarthy Tétrault LLP. He has been a practicing corporate lawyer for over 8 years and specializes in the areas of corporate finance, capital markets, corporate governance and mergers and acquisitions.

Additionally, at closing, each of the current directors of First Mountain, other than Don Brown, will resign as a director and the new board will consist of:

Terry Meek – see above.

Doug Dafoe – 35 years of industry experience with public and private oil and gas companies in Western Canada, currently Chief Executive Officer and President of Ember Resources Inc.; Chairman of the Board of Xtreme Drilling and Coil Services Corp.; previously CEO and President of Thunder Energy Inc.

Steve Dabner – 32 years of industry experience, including founding roles as President and Chief Executive Officer of Online Energy Inc., Trimox Energy Inc. and Moxie Exploration Ltd. and Vice President, Exploration and Chief Financial Officer of Moxie Petroleum Ltd.; Currently Vice President of Exploration and New Ventures at Madalena Energy Inc.

Jay Reid – 25 years of industry experience; a director of Madalena and currently a partner at Burnet, Duckworth & Palmer LLP; Mr. Reid has a practice focused on securities law in the areas of capital markets, mergers and acquisitions, and corporate governance.

Don Brown – over 30 years industry experience; current a director of First Mountain; formerly the President and CEO of Elkwater Resources Ltd.

TSXV Matters

The proposed Transaction will result in a reverse take-over of First Mountain pursuant to the policies of the TSXV. Sponsorship of a reverse take-over may be required by the TSXV unless exempt in accordance with TSXV policies. First Mountain intends to apply for an exemption from the sponsorship requirements pursuant to the policies of the TSXV. There is no assurance that First Mountain will obtain an exemption from the sponsorship requirements.

Trading in First Mountain Shares on the TSXV will remain halted until the documentation required by TSXV has been reviewed and accepted by the TSXV.

Certain insiders of First Mountain will be participating in the Debenture Financing. First Mountain intends to rely on certain exemptions from the formal valuation and majority of the minority requirements applicable to related party transactions as set out in TSXV Policy 5.9 and National Instrument 61-101 *Protection of Minority Securityholders in Special Transactions*, which reliance will be subject to acceptance by the TSXV.

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Completion of the Transaction is subject to a number of conditions, including TSXV acceptance and disinterested shareholder approval, unless waived by the TSXV. The Transaction cannot close until the required shareholder approval is obtained or waived by the TSXV. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of First Mountain should be considered highly speculative.

The TSXV has in no way passed upon the merits of the Transaction and has neither approved nor disapproved the contents of this press release.

Neither the TSXV nor its Regulation Service Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

Not for distribution to U.S. news wire services or dissemination in the United States.

A Note Regarding Forward Looking Information

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws, including without limitation, statements pertaining to the closing of the Financings, the release of the funds received pursuant to the Financings, the Share Consolidation, the Name Change, the Point Loma Acquisition, the Madalena Acquisition, the use of proceeds of the Financings, Point Loma's expectations with respect to facility constraints and restarting production at Paddle River, Madalena's operations and asset base after the completion of the Madalena Acquisition, the parties' ability to close the transactions contemplated herein and obtain necessary approvals from the TSXV and the characteristics and

quality of the Madalena assets. The use of any of the words “will”, “expects”, “believe”, “plans”, “potential” and similar expressions are intended to identify forward-looking statements or information.

Although First Mountain, Point Loma and Madalena believe that the expectations and assumptions on which such forward looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because First Mountain, Point Loma and Madalena cannot give assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the inability of First Mountain to bring additional production from the Madalena assets on stream or in the anticipated quantities disclosed herein; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to tax laws, royalties and environmental regulations, actual production from the acquired assets may be greater or less than estimates; failure to obtain the necessary regulatory approval, stock exchange and other regulatory approvals on the timelines planned. Management has included the above summary of assumptions and risks related to forward looking information provided in this press release in order to provide security holders with a more complete perspective on First Mountain’s future operations and such information may not be appropriate for other purposes.

The forward-looking statements and information contained in this press release are made as of the date hereof and none of First Mountain, Point Loma or Madalena undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Oil and Gas Information

“BOEs” 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.