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MADALENA ANNOUNCES SECOND QUARTER 2014 FINANCIAL RESULTS AND OPERATIONAL UPDATE

Madalena Energy Inc. ("**Madalena**" or the "**Company**") (TSXV: **MVN** and OTC: **MDLNF**) is pleased to announce the filing on SEDAR of its unaudited interim consolidated financial statements and related Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2014. Selected financial and operational information is outlined below and should be read in conjunction with Madalena's unaudited interim consolidated financial statements and related MD&A which are available for review under the Company's profile at www.sedar.com and on the Company's website at www.madalenaenergy.com.

SECOND QUARTER 2014 HIGHLIGHTS

(\$CDN unless otherwise specified)

- June 24, 2014 - closed a bought deal financing for aggregate gross proceeds of \$50 million;
- June 25, 2014 - closed the acquisition (the "Acquisition") of the Argentinean business unit of Gran Tierra Energy Inc. for a total consideration of \$74.4 million, including working capital adjustments, payable in \$59.2 million cash and \$15.2 million in common shares of Madalena. The second quarter results include six days of contribution from the Acquisition. The Acquisition included proved plus probable reserves of 6,513 Mboe at December 31, 2013, production on closing 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;
- July 7, 2014 - closed the over-allotment option of the bought deal financing for aggregate gross proceeds of \$7.5 million;
- Q2 - 2014 production was 1,569 boe/d – including the six day contribution from the Acquisition;
- Current production is approximately **4,700 – 4,800 boe/d (75% oil & NGLs) net** to Madalena;
- **Operating netbacks** continue to improve and **averaged \$35.14 per boe** compared to \$13.71 per boe in Q2–2013, an increase of 156%;
- Operating costs in Argentina have significantly improved averaging \$21.60 per boe in Q2-2014 as compared to \$40.43 per boe in Q2-2013, as the benefits from increasing production volumes from the Company's horizontal drilling programs and the optimization of surface fluid handling and gas conservation facilities were realized;
- Well positioned with a strong balance sheet, exiting the quarter with \$11.2 million in working capital (**\$18.2 million** following the closing of the over-allotment option for the bought deal financing on July 7, 2014) and unutilized credit facilities of \$13 million; and
- Established a capital budget for the second half of 2014 of \$36 million, which will be funded by existing working capital and cash flow from operations. This budget is focused on a combination of high impact

horizontal development wells in the Sierras Blancas light oil play, development horizontal wells in the Ostracod oil play, re-entries and workovers for production optimization, and unconventional shale delineation activities. Comprehensive details are provided under the *Outlook for Second Half of 2014* section shown below.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Financial Canadian - \$000s (except per share amounts)				
Oil and gas revenue	9,144	3,877	15,450	7,487
Net income (loss)	(3,511)	(320)	(3,213)	(2,640)
Per share – basic and diluted	(0.01)	(0.00)	(0.01)	(0.01)
Business combination	74,406	-	74,406	-
Capital expenditures	2,165	6,053	14,712	23,028
Working capital	11,234	7,780	11,234	7,780
Equity outstanding – 000s				
Common shares	525,043	316,841	525,043	316,841
Stock options	19,305	15,372	19,305	15,372
Operating⁽¹⁾				
<i>Average Daily Sales</i>				
Crude oil and condensate – Bbls/d	841	297	686	307
Natural gas – Mcf/d	3,654	3,491	3,318	3,086
NGLs – Bbls/d	119	140	117	125
Total - boe /d ⁽²⁾	1,569	1,020	1,356	946
<i>Average Sales Prices</i>				
Crude oil and condensate - \$/Bbl	90.31	78.77	88.54	78.70
Natural gas - \$/Mcf	5.09	3.57	5.37	3.45
NGLs - \$/Bbl	50.24	47.91	58.22	52.66
Total - \$/boe ⁽²⁾	64.08	41.80	62.95	43.72
<i>Operating Netbacks⁽³⁾</i> \$/boe ⁽²⁾	35.14	13.71	32.82	14.47

(1) Sales represent production volumes adjusted for inventory changes and losses in Argentina.

(2) Refer to - "Reserves and Other Oil and gas Disclosure" in Advisory.

(3) 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.

OUTLOOK FOR SECOND HALF OF 2014

Madalena has commenced drilling operations and currently has a well drilling in both Argentina and Canada. The Company is evaluating options for an additional drilling rig in Argentina prior to year end or into early 2015. The Company also expects to commence a multi-well workover program early September in Argentina.

The Company's current production is approximately 4,700 – 4,800 boe/d and with the execution of the second half capital budget of \$36 million, the Company is budgeting to **exit 2014 with production of 5,200 – 5,400 boe/d**, which is expected to be funded by existing working capital and cash flow from operations. At the end of 2014, the Company expects to be in a positive working capital position with no debt and a strong balance sheet with financial flexibility. Madalena is focused on delivering a balanced approach towards both conventional oil and gas development and the delineation of the Company's unconventional shale and tight sand resources.

Madalena has a strong portfolio of assets in Argentina including 14 concessions/blocks, a solid production base for growth, an extensive inventory of low-risk development drilling opportunities, a portfolio of conventional exploration and appraisal assets and a large-petroleum-in-place set of unconventional shale (Vaca Muerta and Agrio shales) and tight sand resources. The Company also has a land base with over 150 net sections in Western Canada with a large inventory of horizontal development locations.

Operational Update - Argentina

Industry activity near Madalena's unconventional blocks within the Neuquén basin continues to increase and Madalena is well positioned with exposure to the evolving shale and tight sand plays at Corion Amargo, Curamhuele and Cortadera. As part of a balanced business strategy to unlock value, Madalena is planning to conduct vertical and/or horizontal activities in the Vaca Muerta shale, Agrio shale and Mulichinco tight sand plays

Coiron Amargo (35% WI)

The Company's Sierras Blancas horizontals, in which the Company has a 35% working interest, continue to exceed expectations. Madalena's first horizontal well (CAN-xr-2h) is producing approximately 500 Bbls/d and 800 Mcf/d sales gas (630 boe/d gross) and has cumulative gross production to the end of July (seven months on production) of approximately 144,000 Bbls of oil. The second horizontal (CAN-15h) is producing 430 Bbls/d and 480 Mcf/d sales gas (510 boe/d gross) and has cumulative gross production of 44,300 Bbls of oil to the end of July (three months on production). Current water cut for these wells are approximately 10 and 15% respectively.

The third Sierras Blancas horizontal (CAN-18h) is currently running intermediate casing prior to drilling out and commencing the build section of the horizontal. It is anticipated to finish drilling in September with production expected for October 2014. A fourth horizontal (CAN-16h) will commence following the completion of CAN-18h. Production from this well is expected prior to year end.

On the Coiron Amargo South block Madalena is expecting to commence a completion and frac of the Vaca Muerta shale on the CAS-x-15 well before year end. In addition, the Company plans to drill the CAS-x-16 well as a Vaca Muerta shale test prior to year end. A rig has been secured for both operations.

Puesto Morales (100% WI)

Madalena has secured a service rig and will commence a four well recompletion program in the Loma Montosa formation at Puesto Morales in September. The recompletion candidates are based on behind pipe zones which have been successfully recompleted in the field in other wells. The targets are predominately gas with associated liquids. All four wells are expected to be on production prior to year end.

A multi-well horizontal drilling program in the Loma Montosa oil resource play is also being evaluated for 2015 at the Puesto Morales field.

Curamhuele (90% WI)

Madalena has been working with its partner Gas Y Petroleo (GyP, the Provincial Oil company) to secure a second rig to handle Curamhuele and other projects in the Nuequen Basin. The Company is in the process of receiving and evaluating drilling rig proposals for the re-entry and recompletion (frac and test) of CH-x-1 well focused on the Agrio shale and the deepening of the YP-x-1001 to frac and test the Mulichinco liquids-rich gas resource play. Most of the regulatory approvals have been received and the Company anticipates commencing operations late 2014 or early 2015. Madalena's Curamhuele block is within the oil window of the Agrio shale and is directly offset or adjacent to the recently announced Agrio shale discovery by the Argentina state company YPF.

Cortadera (37.8% WI)

Prior to the end of the year, Madalena and its partners YPF and GyP plan to conduct a re-entry targeting an uphole zone of interest (Mulichinco tight sand) in the CorS.x-1 vertical well (which was originally drilled as a Vaca Muerta shale discovery on the block).

Operational Update – Western Canada

Paddle River Ostracod Oil Development (100% WI)

Madalena has drilled and cased an Ostracod horizontal well offsetting its Paddle River discovery. The Company has run a bottom hole liner assembly with 15 frac ports along the 1258 metre lateral section of the wellbore. The drilling rig is expected to commence drilling a second horizontal from the same surface pad imminently. Prior to year end, both of these horizontal wells are expected to be on production and a third horizontal in Canada is expected to be spud.

About Madalena – International and Domestic Assets

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 Agrio shales, in addition to multiple tight sand plays. The Company is also implementing horizontal drilling and completions technology to develop 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 200 gross (150 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 other oil and liquids-rich gas resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN and on the OTC under the symbol MDLNF.

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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, including, without limitation, with respect to the expected timing and details of operational activities, including drilling, completion, re-entry, evaluation and seismic activities, anticipated financial condition and metrics and anticipated production levels. 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 planned operational activities to be conducted by the Company. In addition, statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future. 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

Reserves and Other Oil and Gas Disclosure

Any references in this news release to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes behind pipe 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 Vaca Muerta shale is an unconventional resource play which may be subject to high initial decline rates.

All calculations converting natural gas to barrels of oil equivalent ("boe") have been made using a conversion ratio of six thousand cubic feet (six "Mcf") of natural gas to one barrel of oil, unless otherwise stated. The use of boe may be misleading, particularly if used in isolation, as the conversion ratio of six Mcf of natural gas to one barrel of oil 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 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 on a 6:1 basis may be misleading as an indication of value.

Certain information in this document 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 in which Madalena may hold 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 of 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.

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.