



NEWS RELEASE

November 25, 2015

MADALENA ANNOUNCES THIRD QUARTER 2015 FINANCIAL AND OPERATIONAL RESULTS

Madalena Energy Inc. ("**Madalena**" or the "**Company**") (TSXV: **MVN** and OTCQX: **MDLNF**) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2015. Unless otherwise indicated, all numbers are expressed in Canadian dollars. Selected financial and operational information is outlined below and should be read in conjunction with Madalena's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2015 and the related management's discussion and analysis, which are available for review under the Company's profile at www.sedar.com and on the Company's website at www.madalenaenergy.com.

THIRD QUARTER 2015 HIGHLIGHTS

(Canadian dollars unless otherwise specified)

- Received par value US\$ 11.1 million in United States dollar indexed bonds as settlement of past Petroleo Plus incentive credits. The receipt of these bonds was recognized in the Q3-2015 financial results. Their fair market value at September 30, 2015 was recorded at US\$ 13.7 million (\$18.3 million);
- Sold 47% of these bonds for net proceeds of US\$ 6.5 million since September 30, 2015;
- Funds flow from operations of \$20.6 million and net income of \$5.3 million for Q3-2015, primarily as a result of the one-time settlement of past Petroleo Plus incentive credits;
- Qualified for the US\$ 3.00/Bbl royalty free bonus payment pursuant to the new incentive program that replaced the Petroleo Plus Program, increasing oil revenues by \$0.9 million and \$2.8 million for Q3-2015 and YTD-2015, respectively;
- Realized corporate crude oil and NGL prices of \$96.90/bbl and \$7.25/mcf for natural gas for Q3-2015;
- Realized corporate operating netbacks of \$36.56/boe on production of 3,465 boe/d for Q3-2015;
- Commissioned new resource reports on three of the Company's twelve concessions - Coiron Amargo, Curamhuele and Valle Morado. The resource reports were prepared effective September 30, 2015 in accordance with the National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook. Ryder Scott Company L.P. updated their December 2012 resource report for Curamhuele Vaca Muerta shale resources while GLJ Petroleum Consultants prepared new resource reports for the Coiron Amargo Vaca Muerta shale, Curamhuele Lower Agrio shale and Valle Morado conventional gas resources (see news release dated November 4, 2015 for further details);
- Successfully deepened the Yapai.x-1001 on the Curamhuele block to 3,802 metres, drilling through 550 metres of the Lower Agrio formation, with the bottom 270 metres encountering continuous oil and gas shows in the significantly over pressured target zone (see news release dated November 12, 2015 for further details);
- After safely controlling the Yapai.x-1001 well through the drilling of the Lower Agrio shale, drilling operations continued down to the second zone of interest where, as anticipated, the well encountered the Mulichinco tight gas sand;

- On August 21, 2015, Parliament in Argentina ratified a new 10 year exploitation concession for Madalena's core area at Riconada Puesto Morales after reaching an agreement with the Province of Rio Negro in June 2015. The Riconada Puesto Morales block is the Company's largest producing concession with the Company having a large inventory of horizontal development drilling locations in the Loma Montosa oil resource play; and
- On November 24, 2015, the Company's common shares commenced trading on the OTCQX International, a top tier public market in the United States, under the symbol MDLNF. Madalena will continue to trade on the TSX Venture Exchange under the symbol MVN.

FINANCIAL AND OPERATING HIGHLIGHTS

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|--------|-----------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial - Canadian \$000s, except per share amounts | | | | |
| Gross revenue ⁽¹⁾ | 45,880 | 30,860 | 100,380 | 46,310 |
| Funds flow from operations ⁽²⁾ | 20,643 | 8,750 | 30,919 | 13,368 |
| Per share - basic & diluted ⁽²⁾ | 0.04 | 0.02 | 0.06 | 0.03 |
| Net income (loss) | 5,296 | (612) | (3,347) | (4,046) |
| Per share – basic and diluted | 0.01 | (0.00) | (0.01) | (0.01) |
| Capital expenditures | 18,965 | 12,543 | 36,579 | 27,256 |
| Working capital | | | 14,811 | 19,531 |
| Equity outstanding – 000s | | | | |
| Common shares | | | 542,083 | 539,783 |
| Stock options | | | 36,696 | 25,433 |
| Operating | | | | |
| <i>Average Daily Sales</i> | | | | |
| Crude oil and Ngl's – Bbls/d | 2,824 | 3,518 | 2,950 | 1,717 |
| Natural gas – Mcf/d | 3,843 | 7,135 | 4,381 | 4,604 |
| Total - boe /d | 3,465 | 4,706 | 3,680 | 2,485 |
| <i>Average Sales Prices</i> | | | | |
| Crude oil and NGLs – \$/bbl | 96.90 | 85.63 | 93.18 | 85.09 |
| Natural gas – \$/mcf | 7.25 | 4.81 | 6.03 | 5.10 |
| Total - \$/boe | 87.03 | 71.28 | 81.87 | 68.27 |
| <i>Operating Netbacks</i> ⁽³⁾ | 36.56 | 34.29 | 34.64 | 33.76 |

(1) Includes other income of \$18.1 million pursuant to the one-time settlement of the past Petroleo Plus incentive credits.

(2) This table contains the term "funds flow from operations", which is a non-GAAP measure and should not be considered an alternative to, or more meaningful than "cash flows from operating activities" as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of the Company's performance. Funds flow from operations and funds flow from operations per share (basic and diluted) do not have any standardized meanings prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investment. The reconciliation between funds flow from operations and cash flows from operating activities can be found in "Management's Discussion and Analysis". Funds flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings per share.

(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.

ARGENTINA OPERATIONS UPDATE & 2015-16 OUTLOOK

Madalena is focused on a balance between the delineation of its four strategic resource plays in Argentina and continued horizontal development of its light oil assets. The four strategic resource plays include the Loma Montosa oil resource play, Vaca Muerta shale, Lower Agrio shale, and Mulichinco liquids-rich gas resource play.

Curamhuele (90% Working Interest (“WI”) Neuquen Basin, Argentina)

On November 9, 2015, Madalena successfully deepened the Yapai.x-1001 well to evaluate the Lower Agrio shale and the Mulichinco tight sand. The Company drilled approximately 550 metres of the Lower Agrio formation with the bottom 270 metres having strong and steady oil and gas shows. The well required heavy weight mud (40% over normal) to control the flow while drilling. The high mud weight and strong flow indication, in management’s view, suggests an over-pressured hydrocarbon zone. The preliminary wireline log analysis of the Lower Agrio shale estimates a zone of interest of greater than 164 metres, with an average porosity of 8% and confirmation of brittle shale with minimal clay content (approximately 27%). These results are encouraging when compared to the independent resource report for the Lower Agrio shale effective September 30, 2015 prepared by GLJ Petroleum Consultants Ltd. (the “Resource Report”), which provided a Best Estimate (P50) net pay of 88 metres and average porosity of 6.9%. The Best Estimate Risked Prospective Resource was 99.4 MMBOE (365.4 MMBOE Unrisked). Readers are referred to the November 4, 2015 press release entitled “Madalena announces 374% increase to discovered risked contingent resources estimate for its Vaca Muerta shale acreage at Coiron Amargo in Argentina” for detailed disclosure on the Resource Report.

In addition, Madalena drilled approximately 24 metres into the underlying Mulichinco formation, which the Company believes is sufficient to initiate a hydraulic fracture treatment in this tight sand horizon. The mud logging over this interval continued to yield good gas shows. Due to downhole complexities, it was not possible to get a full set of wireline log measurements across the Mulichinco formation. Based on the data acquired while drilling and including data from offsetting wells, management believes that the Yapai.x-1001 well has encountered an over-pressured gas bearing sand at the top of the Mulichinco formation.

Based on these favourable results, Madalena is designing a completion program to test and co-mingle production from the Mulichinco with the Lower Agrio shale through a four stage unconventional hydraulic fracture treatment. It is expected that the natural gas from the Mulichinco will add an element of gas lift and improve flow characteristics of the Lower Agrio oil. Due to the complexities and logistics with these types of completions, the Company anticipates it will complete the well early in 2016.

Coiron Amargo (35% WI, Neuquen Basin, Argentina)

Madalena and its partners have successfully drilled their fifth and sixth horizontal wells in the conventional Sierras Blancas formation on the Coiron Amargo block. The fifth well was completed with approximately 755 metres of horizontal Sierras Blancas sand open to the wellbore and placed on production on October 8, 2015. Based on field estimates, the Initial 30 day (IP 30) production was 135 Bbls/d of oil and 140 Mcf/d (160 boe/d) of gas at a 45% water cut. The well was flowing on a 6 mm choke. On November 9, 2015, the choke was opened to 8 mm and the well tested over a 24 hour period, 296 Bbls/d oil and 424 Mcf/d (366 boe/d) at 500 psi flowing pressure with a 48% water cut. The partners will review the production performance and may decide to open the choke further to increase production.

The sixth conventional horizontal well was cased on November 8, 2015 after drilling approximately 670 metres of horizontal section. Based on the information gathered while drilling (logs, oil and gas shows), Madalena expects that this well may perform better than the performance of the average well drilled by Madalena in the Sierras Blancas formation on the Coiron Amargo block to date.

The well is anticipated to be equipped for production by December 1, 2015.

The drilling rig is currently being moved to drill a seventh Sierras Blancas horizontal well at Coiron Amargo.

Coiron Amargo Vaca Muerta

Madalena and its partners are in the planning stages for the first Vaca Muerta horizontal multi-frac well. A detailed third party review of geophysical and geological data on the Coiron Amargo block has been completed. The results of this study, combined with knowledge gained after a data exchange for several horizontal multi frac wells directly offsetting Coiron Amargo, will be used to finalize the location and drilling plan. The Company anticipates commencing operations in the first half of 2016 and will update the project status accordingly.

SUMMARY

As a result of the strong commodity price environment in Argentina and the Company's ability to capitalize on Argentina's oil incentive programs, Madalena ended Q3-2015 with \$14.8 million of working capital. With a strong portfolio of assets in Argentina including an attractive mix of conventional, unconventional shales and resource plays, Madalena will continue to drill and execute its focused business plan through 2015 and into 2016.

ABOUT MADALENA ENERGY

Madalena is an independent, Canadian-based Argentina focused, upstream oil and gas company.

Madalena holds over 950,000 net acres in five provinces of Argentina where it is focused on the delineation of large shale and unconventional resources in the Vaca Muerta shale, Lower Agrio shale, Loma Montosa oil play and the Mulichinco liquids-rich gas play. 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.

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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, in particular, with respect to Madalena's participation in Government of Argentina incentive programs and the timing and expected cash proceeds therefrom, the details and timing of future operations and the characteristics of the properties held by the Company, current and production levels, the strategic value and opportunities available to Madalena and operational, business development and financial plans, and opportunities and the ability of Madalena to execute on such plans and opportunities. 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 marketability of the bonds to be received by the Company from the Petroleum Plus Program and the ability of the Company to and the timing associated with, the monetization of such bonds; 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.

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.

Analogous Information

Certain information in this news release 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 within lands on which Madalena holds 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 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.

Initial Production Rates

Any references in this document to test rates, flow rates, initial and/or final raw test or production rates, early production, 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, certain Madalena properties are unconventional resource plays which 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.

Drilling Locations

This press release refers to unbooked drilling locations. Unbooked locations are internal estimates based on Madalena's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Unbooked locations have been identified by management as an estimation of our future drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Madalena will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, access restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.

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.