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Madalena Announces Fourth Quarter and Year End 2014 Financial Results and Provides an Operational Outlook

Madalena Energy Inc. (TSXV: MVN) (the "Company" or "Madalena") is pleased to provide selected financial and operational information for the three months and year ended December 31, 2014.

Copies of the Company's consolidated financial statements for the year ended December 31, 2014, the related management's discussion and analysis and the Annual Information Form (the "AIF") of the Company for the year ended December 31, 2014 have been filed with Canadian securities regulatory authorities and will be made available under the Company's profile at www.sedar.com and on the Company's website at www.madalenaenergy.com.

2014 HIGHLIGHTS

(\$CDN unless otherwise specified)

Highlights for 2014 included:

- The year was highlighted by the results of the accretive acquisition made by Madalena in late June 2014 and successful horizontal drilling, both of which were in Argentina;
- Oil and gas production averaged 4,075 boe/d (Q4-2013 – 1,271 boe/d) and 2,883 boe/d (2013 - 1,087 boe/d) for the fourth quarter and year, respectively;
- Increase in proved plus probable reserves ("P+P") to 11.5 MMboe, which is primarily driven by the Company's conventional assets. Net present value of these P+P reserves before tax, discounted at 10% ("NPV@10%"), increased 297% to \$199.4 million;
- P+P Reserves and P+P NPV@10% per common share have increased 72% and 168% respectively;
- Argentina operating netbacks averaged \$32.62/boe in the fourth quarter (Q4-2013 - \$29.28) with regulated oil prices in Argentina continuing to remain stable. The Medanito oil price posting for April 2015 has been set at US\$ 76.00/Bbl compared to a Q1 - 2015 average of US\$ 76.30/bbl;
- Funds flow from operations was \$4.4 million (Q4-2013 – \$1.5 million) and \$17.7 million (2013 -\$3.9 million) for the fourth quarter and year, respectively;
- Exited the year with a positive working capital position of \$11.8 million and no debt;
- Drilled, completed and placed on production two (35% WI) Sierras Blancas light oil horizontal wells and one (35% WI) vertical Vaca Muerta shale delineation well;
- Subsequent to the year end, drilled, completed and placed on production one (35% WI) Sierras Blancas light oil horizontal well and one Loma Montosa light oil horizontal well (100% WI); and
- Subsequent to year end and following a successful renegotiation process, Madalena entered into a three year evaluation phase contract at Coiron Amargo Sur – a key unconventional shale block for the Company.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended December 31		Year ended December 31	
	2014	2013	2014	2013
Financial - Canadian \$000s, except per share amounts				
Oil and gas revenue	26,636	5,633	72,945	17,960
Funds flow from operations ⁽¹⁾	4,352	1,493	17,721	3,920
Per share - basic & diluted ⁽¹⁾	0.01	0.00	0.04	0.01
Net loss ⁽²⁾	(30,526)	(20,529)	(36,004)	(23,287)
Per share – basic and diluted ⁽²⁾	(0.07)	(0.06)	(0.08)	(0.07)
Business combinations	-	-	74,406	-
Capital expenditures	13,282	13,098	40,537	43,296
Working capital	11,775	7,631	11,775	7,631
Equity outstanding – 000s				
Common shares	539,783	364,029	539,783	364,029
Stock options	25,880	19,530	25,880	19,530
Operating				
<i>Average Daily Sales</i>				
Crude oil and Ngl – Bbls/d	2,991	711	2,036	529
Natural gas – Mcf/d	6,505	3,366	5,084	3,346
Total - boe /d	4,075	1,271	2,883	1,086
<i>Average Sales Prices</i>				
Crude oil and Ngl - \$/Bbl	87.69	69.50	85.79	72.95
Natural gas - \$/Mcf	4.50	3.52	4.97	3.18
Total - \$/boe	71.05	48.16	69.33	45.28
<i>Corporate Operating Netbacks</i> ⁽³⁾				
\$/boe	26.74	16.82	31.29	15.25

(1) 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.

(2) Includes an impairment charge on the Canadian assets in the amount of \$28.0 million for the three months ended December 31, 2014 (Q4 -2013 - \$19.7 million) and \$31.2 million for the year ended December 31, 2014 (Year 2013 - \$19.7 million).

(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

Puesto Morales (100% WI) Field – Horizontal Drilling of Loma Montosa Oil Resource Play

- As disclosed in a news release dated April 8, 2015, Madalena successfully drilled and completed a Loma Montosa horizontal well with a 12 stage frac. The well tested 860 boe/d and was tied into existing facilities on April 10, 2015. The well is still flowing up 5.5" casing with the first twelve days of production averaging 381 bopd of oil and an estimated 1800 mcf/d of gas for a total of 681 boe/d. The well is flowing at a wellhead pressure of 510 psi and a watercut of 45%.
- The Loma Montosa formation, with a depth of approximately 1350 meters, is characterized as a tight dolomite with average porosity of 9 to 12% and permeability of 2 to 5 millidarcies. The vertical wells offsetting the PMS-1135(h) horizontal have approximately 15 metres of net pay over a 26 metre gross interval.
- The Puesto Morales block is 100% covered with 3D seismic with over 60 vertical penetrations drilled through the Loma Montosa formation. Based on internal geological mapping, the Company believes it has a large inventory of horizontal locations across this scalable resource play.

Coiron Amargo (35% WI) Block – Block Contract Update & Sierras Blancas Horizontal Exploitation

- The Coiron Amargo block (34,951 net acres) is divided into two regions called Coiron Amargo Norte (northern portion of the block) and Coiron Amargo Sur (southern portion of the block). Coiron Amargo Norte is currently held under a 25 year exploitation (development) concession until 2038 with no further firm commitments remaining on this portion of the block.
- Following a successful block renegotiation process throughout the second half of 2014 and into the first quarter of 2015, the Company received approval on April 16, 2015, by way of an official decree signed by the Province of Neuquén, for a three year evaluation phase contract on Coiron Amargo Sur (south portion of the block). Coiron Amargo Sur is a key unconventional shale block located in the heart of the oil window for the Vaca Muerta shale and is a core asset within the Company's portfolio. Madalena and its partners have until November 8, 2017 to further evaluate the southern portion of the block. The Company's share of the work commitment is US\$17.5 million which is to be incurred by November 8, 2017. Following this three year evaluation phase contract, Madalena is eligible to enter into a further exploitation (development) concession and/or enter into additional evaluation phase periods to further evaluate Coiron Amargo Sur.
- As disclosed in a news release dated April 8, 2015, the Company's fourth Sierras Blancas horizontal well at Coiron Amargo Norte CAN-16h is now on production. The average production over the first 28 days was 450 bopd of oil (158 bopd WI) and 700 mcf/d (245 mcf/d WI) for a total of 567 boe/d (198 boe/d WI). The well is flowing at 1,378 psi with a watercut of 15%.

CANADA OPERATIONS UPDATE

- As press released on January 30, 2015, Madalena was advised by Keyera Corp. ("**Keyera**") that Keyera's Paddle River gas plant would be shut down for a minimum period of two months commencing February 1, 2015 due to current economic conditions and recent commodity price declines in North America. As a result of the gas plant shut-down, Madalena temporarily suspended production of approximately 660 boe/d in Western Canada (40% oil) on February 1, 2015.
- As of April 1, 2015, the Company was successful in restoring production of 140 boe/d (100% oil).
- The Company along with Keyera has been evaluating various alternatives to bring the remaining shut-in volumes (estimated 400 boe/d) in the Paddle River area back on-stream. Madalena expects to restore the remainder of the Company's Western Canadian production in the coming months.
- Subsequent to the year end, as a result of the Company suspending its Canadian production, Madalena's Canadian credit facility was reduced from \$10 million to \$7 million, of which the maximum draw is

currently limited to \$3.5 million. In addition to this credit facility, the Company's acquisition/development demand loan credit facility remains available to a maximum of \$3 million. Both the credit and acquisition/development facilities are subject to a periodic review by the bank and the next review is scheduled for June 30, 2015. To date, the Company has not secured a credit facility against its Argentina assets which is where the majority of the Company's production and reserves are located.

RATIONALIZING OF NON-CORE ASSETS AND JOINT VENTURE OPPORTUNITIES

Madalena is committed to rationalizing select non-core properties across its portfolio of assets, and in parallel with executing the Company's 2015 drilling program, continues to actively seek joint venture opportunities, which would permit it to accelerate the exploration and development of its properties.

REGULATED ARGENTINA OIL AND GAS PRICE MARKET

- In Argentina, oil prices are regulated and set by the Government for product sold into the domestic oil market, which is where Madalena sells the oil from its Argentine operations. When world prices fell sharply in the latter half of 2014 and into 2015, Argentina prices continued to remain relatively stable. The Medanito oil price posting for April 2015 has been set at US\$ 76.00/Bbl compared to a Q1 2015 average of US\$ 76.30/bbl. Madalena's average discount to this posting for quality and transportation is approximately US\$ 4.00/bbl.
- On February 2, 2015 the Government of Argentina announced a new oil incentive program. The program runs from January 1, 2015 to December 31, 2015 and could be extended for one year. To stimulate production and to provide an additional incentive to producers to invest further, the Government of Argentina has set a US\$ 3.00/Bbl royalty free bonus payment on all production for companies which are able to keep their quarterly production above 95% of its Q4-2014 production levels. For the first quarter of 2015 Madalena believes it has qualified for this incentive and is making the appropriate application to receive this bonus payment on its Argentina production.
- Natural gas prices in Argentina are fixed by the regulator in US\$/mmbtu. For Madalena's current producing fields, summer prices have been set at US\$ 4.10/mmbtu October 2014 to April 2015. For the period May to September 2015 which is the Argentina winter, the price generally increases. Last winter it was US\$ 5.20/mmbtu and Madalena expects to enter into a similar contract as last year for the 2015 winter season.

CORPORATE UPDATE

Madalena announces with regret that Mr. Doug Brooks has tendered his resignation from the Board of Directors. Mr. Brooks has recently accepted the position of president and chief executive officer with a private, U.S.-based oil and gas company. Mr. Brooks' employment terms preclude him from serving on public company boards. Mr. Brooks remains a strong supporter of Madalena. The Company would like to thank him for his valuable contributions and wish him well in his future endeavours. Steven Sharpe, the Company's Chairman commented: "In the time that he was on our Board, Doug made a meaningful contribution and was always available to share his experience and insight. I will miss his wise counsel."

2015 OUTLOOK

Madalena's current production is approximately 4,000 boe/d (79% oil and NGL's) with 3,800 boe/d (80 % oil and NGL's) in Argentina and 200 boe/d (55% oil & NGL's) in Canada.

Over the last several months, Madalena has commenced international operational planning related to the drilling of 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 liquids-rich Mulichinco gas resource play.

The Company has a new 45% WI partner (PlusPetrol) on the Coiron Amargo Block. Madalena has been involved in numerous technical meetings sharing information with the new partner and discussing future plans related to Vaca Muerta shale and Sierras Blancas development activities. The Company and its partners plan to drill additional horizontal wells into the Sierras Blancas light oil formation later in 2015 and in 2016. To date the Company has drilled, completed and placed on production four successful horizontals in the Sierras Blancas and has an inventory of horizontal development wells identified on four main pools on the northern portion of the block. Madalena and its partners are also planning to execute the first horizontal multi stage frac on the block in the Vaca Muerta shale (oil) and expect this to commence late in 2015.

Madalena has recently executed a strategic data exchange with a major E&P operator of a block offsetting Curamhuele. The Company is using this information to plan its re-entry and testing program of the Lower Agrio shale oil resource play. In particular Madalena is completing detailed technical analysis on the hydraulic fracture treatments completed on the Lower Agrio and the corresponding production test results. The goal is to improve the treatment design, cost and results. The Lower Agrio is approximately 225 meters thick at Curamhuele. Concurrently with the Lower Agrio re-entry operation, the Company intends to deepen and complete the Mulichinco in another well at Curamhuele. The Mulichinco is a liquids rich gas resource play (approximately 200 meters thick) comprising the fourth strategic resource the Company intends to evaluate in 2015.

The Company is well positioned to achieve its stated goals and objectives to advance four scalable resource plays in Argentina in 2015. With early success on the Loma Montosa and activity commencing on the Lower Agrio and Mulichinco over the next two quarters, 2015 will be the Company's most active year in Argentina.

Madalena currently funds its capital program through existing working capital and funds flow. As discussed above, to date the Company has not established a credit facility in respect of its Argentina assets. To further enhance the Company's financial flexibility, Madalena is currently investigating establishing a credit facility secured by its Argentina assets.

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 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, in particular, but not limited to, with respect to the characteristics of the properties held by the Company, current and future test and production levels on recently drilled wells, 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 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.