



MADALENA ANNOUNCES Q2 - 2016 RESULTS AND A REVIEW OF STRATEGIC ALTERNATIVES

(All dollar figures are expressed in United States dollars unless otherwise stated)

Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to provide its operating and financial results for the three and six months ended June 30, 2016. Selected information is outlined below and should be read in conjunction with Madalena's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016 and the associated management's discussion and analysis ("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.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Financial – (\$000s, except per share amounts)				
Oil and gas revenue	13,070	24,115	27,881	43,008
Funds flow from continuing operations ⁽¹⁾	1,821	4,278	4,980	9,412
Per share - basic & diluted ⁽¹⁾	0.00	0.01	0.01	0.02
Net loss from continuing operations	(3,491)	(3,209)	(9,983)	(2,143)
Per share - basic & diluted ⁽¹⁾	(0.00)	(0.01)	(0.02)	(0.00)
Capital expenditures	525	2,418	5,386	13,804
Working capital	(5,332)	462	(5,332)	462
Common shares outstanding - 000s	542,083	541,000	542,083	541,000
Operating				
<i>Average Daily Sales</i>				
Crude oil and Ngl's – Bbls/d	2,084	3,092	2,246	2,873
Natural gas – Mcf/d	2,636	4,455	2,806	4,176
Total - Boe /d	2,523	3,834	2,714	3,569
<i>Average Sales Prices</i>				
Crude oil and Ngl's - \$/Bbl	62.41	78.36	62.29	75.83
Natural gas - \$/Mcf	5.15	5.11	4.73	4.72
Total - \$/Boe	56.93	69.11	56.45	66.57
Operating Netbacks ⁽²⁾ - \$/Boe	26.23	30.40	25.48	30.20

(1) This table contains the term "funds flow from continuing 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 continuing operations to analyze operating performance and considers funds flow from continuing 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 continuing operations and cash flows from operating activities can be found in the MD&A. Funds flow from continuing operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings (loss) per share.

(2) 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.

Review of Strategic Alternatives

Madalena has initiated a review of strategic alternatives. Evercore Group LLC ("Evercore"), which had been retained to assist in securing a joint venture partner for the Curamhuele block in Argentina, has had its mandate broadened to encompass this review of strategic alternatives. In part, the review was prompted by a number of unsolicited expressions of interest received by the Company after the May 16, 2016 news release announcing the initial engagement of Evercore. These strategic alternatives may include, among other things, asset sales, a merger, sale or recapitalization transaction, joint ventures or other opportunities.

The Company does not intend to provide updates on this process until such time as the Board of Directors deem it appropriate. There can be no guarantee that this review will result in a transaction(s), or if a transaction(s) is undertaken, as to its terms or timing.

About Madalena Energy

Madalena is an independent, Canadian head-quartered Argentina focused upstream oil and gas company with operations in four provinces of Argentina where it is focused on the delineation of unconventional resources in the Vaca Muerta shale, Lower Agrio shale and Loma Montosa oil plays. 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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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, production levels, the strategic value and opportunities available to Madalena, operational, business development and financial plans, and opportunities and the ability of Madalena to execute on such plans and opportunities and the Company's ability to meet its commitments and continue as a going concern. 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.

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.