



NEWS RELEASE

May 16, 2016

MADALENA ANNOUNCES Q1 - 2016 RESULTS

(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 months ended March 31, 2016. Selected information is outlined below and should be read in conjunction with Madalena's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and the associated 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. An updated corporate presentation is available on the Company's website.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended March 31	
	2016	2015
Financial – US Dollars (\$000s, except per share amounts)		
Oil and gas revenue	15,105	19,445
Funds flow from operations ⁽¹⁾	2,963	4,720
Per share - basic & diluted ⁽¹⁾	0.01	0.01
Net income (loss)	(6,834)	1,003
Per share – basic and diluted	(0.01)	0.00
Capital expenditures	4,861	11,737
Working capital	(3,329)	462
Common shares outstanding - 000s	542,083	540,300
Operating		
<i>Average Daily Sales</i>		
Crude oil and Ngls – Bbls/d	2,545	2,801
Natural gas – Mcf/d	3,180	4,710
Total - Boe /d	3,075	3,586
<i>Average Sales Prices</i>		
Crude oil and Ngls - \$/Bbl	60.04	70.53
Natural gas - \$/Mcf	4.16	3.93
Total - \$/Boe	53.99	60.25
<i>Operating Netbacks⁽²⁾ - \$/Boe</i>	22.96	26.73

(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 (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.

FIRST QUARTER 2016 HIGHLIGHTS

Sale of Non-Core Canadian Assets

On February 8, 2016, First Mountain Exploration Inc. ("First Mountain"), Point Loma Energy Ltd. ("Point Loma") and Madalena entered into a non-binding letter of intent pursuant to which, among other things, it is proposed that Point Loma will acquire Madalena's non-core Canadian oil and gas assets for a deemed aggregate purchase price of approximately \$4.0 million (CAD \$5.5 million).

Proceeds to the Company will consist of 14,522,823 common shares of Point Loma, with a deemed value of \$1.8 million (CAD \$2.5 million), as well as a five-year \$2.2 million (CAD \$3 million) secured convertible debenture, bearing interest at 3% per annum, payable at the end of the debenture term. The effective date is May 1, 2016, with closing expected in early June 2016, subject to certain terms and conditions, including the successful acquisition (the "Acquisition") of Point Loma by First Mountain. The Acquisition will involve an exchange of publicly traded First Mountain common shares (TSXV: FMX) for all of the outstanding common shares of Point Loma including those received by Madalena.

Advisor Retained for JV Partner for Curamhuele

The Company has recently retained Evercore Group LLC as its exclusive financial advisor in connection with identifying and securing a joint venture partner for the 90% working interest Curamhuele block in Argentina to accelerate exploration and development activities on the block. In addition, the Company is actively marketing certain of its non-core properties in Argentina.

Operations Update

During the first quarter, the Company completed the Yapai.x-1001 well on its exploration block at Curamhuele targeting the Lower Agrio shale. Over an 80 day period, the well has produced 6,160 bbls oil (77 bopd), 7,645 bbls water (95 bbls/d) representing approximately 56% of the frac load fluid and 7.0 MMcf gas (88 mcf/d). All solution gas is being flared. The well has been flowing up five inch casing and was shut-in on May 10, 2016 for a pressure build-up test.

OUTLOOK

There have been a number of economic changes in Argentina over the last six months. These changes include the election of a new president, the subsequent Argentina peso devaluation, the lifting of foreign currency controls, a 10% reduction in early 2016 for Medanito crude quality oil from \$75.00 to \$67.50 and the settlement of the 2001 Argentina government defaulted bonds with the bondholders.

Although the Company has a largely unleveraged balance sheet at March 31, 2016, it does have a working capital deficit of \$3.3 million, and continues to face liquidity challenges. The Company is actively pursuing alternative sources of capital, including potential debt and equity financing and ways to monetize its assets, including, without limitation, asset sales or swaps, joint ventures or other transactions with industry partners, all with a view to enhancing liquidity to execute on its business plan.

Capital commitments in 2016 and 2017 are expected to exceed anticipated future funds flow from operations and, accordingly, the Company has included a note on going concern uncertainty in the condensed interim consolidated financial statements. In the event the Company cannot access the required funding and certain work commitments are not fulfilled prior to the commitment deadlines, the Company will attempt to extend its commitments with the regulators. There is no certainty that any extensions will occur in the future and failure to obtain such extensions may result in the loss of concessions and the rights attached to them.

About Madalena Energy

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

Madalena holds approximately 950,000 net acres in four provinces of Argentina where it is focused on the delineation of large shale and 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.

For further information please contact:

Steven Sharpe

Interim President and Chief Executive Officer
Madalena Energy Inc.
Phone: (403) 262-1901 (Ext. 232)
ssharpe@madalenaenergy.com

Thomas Love, CA

VP, Finance and Chief Financial Officer
Madalena Energy Inc.
Phone: (403) 262-1901 (Ext. 227)
tlove@madalenaenergy.com

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, 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.

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" or "frac" 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.

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.