



MADALENA ANNOUNCES YEAR END RESERVES AND RESOURCES

Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce the results of its independent reserve reports as at December 31, 2015.

On February 9, 2016, the Company announced the proposed sale of its non-core Canadian properties. The reserves for the Canadian properties are included for reference but the majority of the discussion and analysis in this news release is focused on the Company's core business in Argentina, where Madalena holds over 950,000 net acres across 12 blocks.

Year End 2015 Reserves Highlights:

- Consolidated (Argentina and Canada) Proved plus Probable ("2P") are **11,366 MBoe** compared to 11,494 MBoe last year;
- Argentina Proved plus Probable ("2P") reserves have increased 8% from 8,480 MBoe to **9,134 MBoe**;
- Argentina 2P **reserve replacement** ratio was **158%**;
- 2P BTax NPV 10%, which is primarily supported by the Company's **conventional** assets, is **\$175,980,000 or \$0.32/share** and **does not include any material value for the Company's unconventional assets in the Vaca Muerta shale and Lower Agrio shale** which are included in the independent resource evaluations; and
- Consolidated oil and liquids now account for 78% of the 2P reserves up from 72% last year.

Highlights of the Independent Resource Evaluation:

As disclosed in a news release dated November 4, 2015, the Company completed an independent assessment of its Contingent and Prospective Resources effective September 30, 2015, the results of which are summarized below:

- The Company initiated and conducted independent resource evaluations on three of its twelve blocks in Argentina;
- Best Estimate Contingent Resources attributed to the Vaca Muerta shale at the Coiron Amargo block of **91.5 MMBOE (152.4 MMBOE Unrisked)**;
- Best Estimate Contingent Resources on the Valle Morado block of **75.3 Bcf (Unrisked 117.1 Bcf)**;
- On the Curamhuele block, **Lower Agrio shale** Best Estimate Risked Prospective Resources of **99.4 MMBOE (Unrisked 365.4 MMBOE)**;
- Also on the Curamhuele block, Vaca Muerta shale Best Estimate Risked Prospective Resources of **92.6 MMBOE (Unrisked 1,157.1 MMBOE)**;
- Madalena's **Total Contingent Resources** are **105.2 MMBOE (172.7 MMBOE Unrisked)**; and
- Madalena's **Total Prospective Resources** are **192.0 MMBoe (1,522.5 MMBOE Unrisked)**.

The resource reports were prepared by Ryder Scott Company L.P. and GLJ Petroleum Consultants, independent qualified reserves evaluators, with an effective date of September 30, 2015 and in accordance with the National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and the Canadian Oil and Gas

Evaluation Handbook (the "**COGE Handbook**"). Readers are directed to the November 4, 2015 news release for additional details on the resource reports, including, without limitation, classifications of the most specific category of resources other than reserves in accordance with NI 51-101 and for the definitions of the various resource categories used herein.

The December 31, 2015 reserve report now includes 0.8 MMBOE of tight oil Probable Reserves related to the Vaca Muerta at Coiron Amargo.

There are no Proven or Probable reserves assigned to the Company's February 16, 2016 announced sweet light oil Lower Agrio shale discovery at Curamhuele.

The reserve reports were prepared in accordance with the definitions, standards and procedures contained in NI 51-101 and the COGE Handbook by McDaniel & Associates Consultants Ltd. ("McDaniel Report") for Canada and GLJ Petroleum Consultants ("GLJ Report") for Argentina. The McDaniel Report and GLJ Report contain several cautionary statements that are required by NI 51-101 and the reserves information presented is subject to the contents of the full reports. Additional information on the Company's reserves, as required by NI 51-101, will be filed prior to April 30, 2016 on SEDAR (www.sedar.com). The following tables summarize the Company's reserve information as set out in the McDaniel Report and the GLJ Report:

Reserves Summary – Company working interest before royalties using forecasted prices as at December 31, 2015.

	Light and Medium Oil Mbbbl	NGL's Mbbbl	Gas MMcf	BOE 6:1 Mboe
CANADA				
Proven Developed Producing	113	17	344	187
Proven Developed Non Producing	120	53	1,311	391
Total Proven Developed	232	70	1,655	578
Proven Undeveloped	-	-	-	-
Total Proved	232	70	1,655	578
Probable	325	248	6,485	1,654
Total Proved + Probable	557	318	8,140	2,232
ARGENTINA				
Proven Developed Producing	2,867	47	2,301	3,298
Proven Developed Non Producing	525	1	186	557
Total Proven Developed	3,392	48	2,487	3,855
Proven Undeveloped	1,448	3	716	1,570
Total Proved	4,840	51	3,203	5,425
Probable	3,082	39	3,528	3,709
Total Proved + Probable	7,922	90	6,731	9,134

CONSOLIDATED

Proven Developed Producing	2,980	64	2,645	3,485
Proven Developed Non Producing	645	54	1,497	948
Total Proven Developed	3,625	118	4,142	4,433
Proven Undeveloped	1,448	3	716	1,570
Total Proved	5,073	121	4,858	6,003
Probable	3,407	287	10,013	5,363
Total Proved + Probable	8,480	408	14,871	11,366

Strong growth in Argentina reserves was offset by a reduction in Canadian reserves due primarily to economic factors.

The majority of the Proven Undeveloped reserves in Argentina are attributed to two (0.7 net) Sierras Blancas (light oil) conventional horizontal wells at Coiron Amargo and six (100% working interest) horizontal multi frac wells in the Loma Montosa resource play (light oil) at Puesto Morales. The remaining Proven Undeveloped and Proven Developed Non-producing reserves are from various recompletion projects at Coiron Amargo, Puesto Morales and Surubi in Argentina.

Probable reserves are attributed to six additional (100% working interest) horizontal multi frac wells at Puesto Morales in the Loma Montosa resource play (light oil) and three (1.05 net) wells at Coiron Amargo for Vaca Muerta shale (oil) horizontal multi frac re-entries. The Company and its partners intend to drill and complete a Vaca Muerta horizontal multi frac well at Coiron Amargo in 2016.

**Summary of Net Present Values of Future Net Revenue⁽¹⁾
Forecasted Prices and Costs⁽²⁾
Before Income Taxes, Discounted at (%/year)**

	As at December 31, 2015		
	0%	10%	15%
	M\$	M\$	M\$
CANADA			
Proven Developed Producing	236	424	446
Proven Developed Non Producing	1,983	1,525	1,318
Total Proven Developed	2,219	1,949	1,764
Proven Undeveloped	-	-	-
Total Proved	2,219	1,949	1,764
Probable	8,523	2,450	796
Total Proved + Probable	10,742	4,399	2,560
ARGENTINA			
Proven Developed Producing	78,651	68,264	63,304
Proven Developed Non Producing	23,229	15,567	13,049
Total Proven Developed	101,880	83,831	76,353
Proven Undeveloped	40,353	17,696	11,147
Total Proved	142,233	101,527	87,500
Probable	134,159	70,054	52,984
Total Proved + Probable	276,392	171,581	140,484
CONSOLIDATED			
Proven Developed Producing	78,887	68,688	63,750
Proven Developed Non Producing	25,212	17,092	14,367
Total Proven Developed	104,099	85,780	78,117
Proven Undeveloped	40,353	17,696	11,147
Total Proved	144,452	103,476	89,264
Probable	142,682	72,503	53,780
Total Proved + Probable	287,134	175,980	143,044

- 1) It should not be assumed that the present value of estimated future net cash flows shown above are representative of the fair market value of the reserves.
- 2) Based on McDaniel's forecasted prices for Canada and GLJ's forecasted prices for Argentina as of January 1, 2016.
- 3) GLJ Report for Argentina was completed in US\$ and has been converted to Canadian dollars based on the December 31, 2015 exchange rate of 1 CDN: 0.7225 US.
- 4) Tables may not add due to rounding.

The Argentina 2P NPV 10% declined slightly (7%) from last year's 185 MM\$ due to limited new drilling activity and a 13% decline in forecasted future oil prices in Argentina. The positive results from the wells drilled in Argentina in 2015 was the main factor for the increase in 2P reserves which offset most of the decline in forecasted future oil prices. Approximately 66% of the 1P NPV 10% is Developed Producing. Total Proved represents 59% of the 2P NPV 10%.

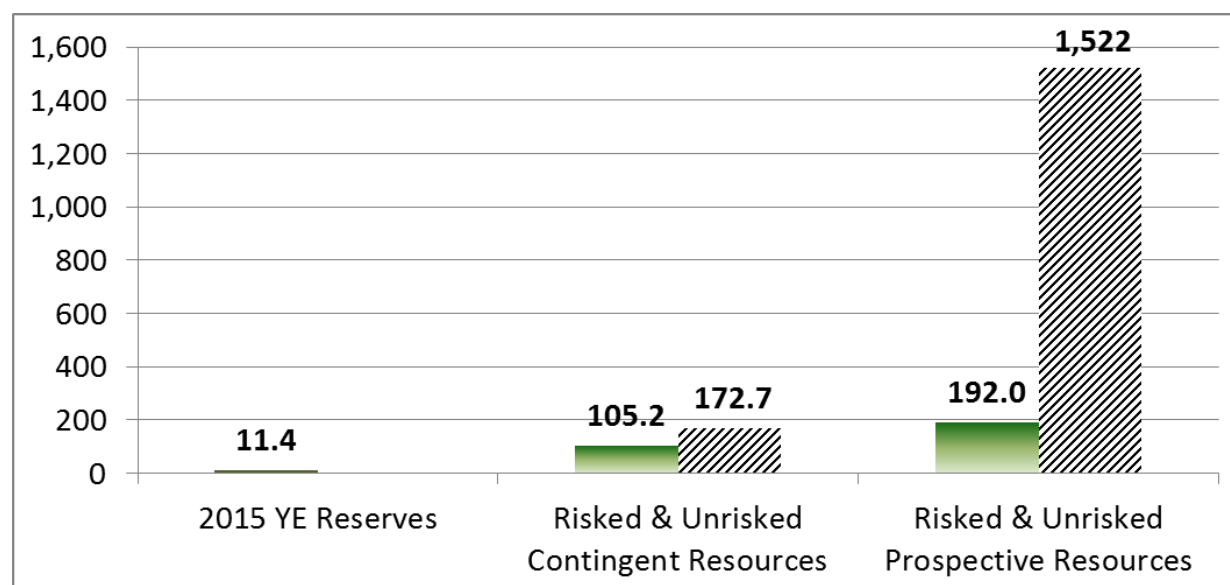
Summary of Forecasted Prices

The following table summarizes the forecasted benchmark prices for the McDaniel Report (Edmonton Light and Alberta AECO) and GLJ Report (Brent, Argentina crude and gas) as at December 31, 2015.

	Edmonton Light CDN\$/bbl	Alberta AECO CDN\$ per mmbtu	Brent Crude US\$/bbl	Argentina Crude US\$/bbl	Argentina Gas US\$ per mmbtu
2016	56.60	2.70	45.00	67.50	4.50
2017	66.40	3.20	54.00	67.50	4.50
2018	72.80	3.55	61.00	67.50	4.59
2019	80.90	3.85	67.00	67.50	4.68
2020	83.20	3.95	73.00	67.50	4.78
2021	88.20	4.20	78.00	69.10	4.87
2022	93.30	4.45	83.00	73.85	4.97
2023	98.70	4.70	88.00	78.60	5.07
2024	100.70	4.80	91.39	81.82	5.17
2025	102.60	4.90	93.22	83.56	5.27
2026	104.70	5.00	95.08	85.23	5.38
thereafter	+ 2%/yr	+ 2%/yr	+ 2%/yr	+ 2%/yr	+ 2%/yr

Summary of Reserves and Resources

Proved plus Probable reserves, Best Estimate Contingent Resources and Best Estimate Prospective Resources, as set out in the independent evaluations described herein and in the Company's November 4, 2015 news release, expressed in MMBoe are illustrated as follows:



Please see the Company's November 4, 2016 news release for additional important information related to its resources.

Argentina Reserves Reconciliation

	Proved			Proved + Probable		
	Mstb	MMcf	MBOE	Mstb	MMcf	MBOE
Opening Reserves	4,463	4,131	5,152	7,071	8,459	8,480
Production	(1,003)	(1,415)	(1,239)	(1,003)	(1,415)	(1,240)
Acquisition	-	-	-	-	-	-
Additions	800	189	832	1,817	258	1,860
Revisions	631	298	681	129	(570)	34
Closing	4,891	3,203	5,425	8,013	6,732	9,134
Reserve Replacement Ratio			122%			153%

1) Tables may not add due to rounding.

2) Reserve Replacement Ratio is calculated as total reserve additions net of revisions (including acquisitions net of dispositions) divided by annual production. Madalena's Argentina production averaged 3,394 Boe/d in 2015.

Positive revisions (13%) on the Proved reserves were the result of better performance on the Surubi property and higher per well reserve bookings for the Loma Montosa undeveloped wells at Puesto Morales, partially offset by minor negative revisions at Coiron Amargo. Proved plus Probable reserve revisions were less than 0.5% as negative gas revisions at Puesto Morales due to high fuel gas usage was offset by positive oil revisions on other properties. In 2015, the Company participated in four wells (2.7 net) at 100% success rate. Reserve additions come primarily from new wells at Puesto Morales and Vaca Muerta shale horizontals at Coiron Amargo. Although the Curamhuele well was drilled in 2015 and the capital was spent in 2015, there were no reserves assigned in the reserve report for the Lower Agrio shale since the well test, on the recently announced oil exploration discovery, occurred after December 31, 2015.

Future Development Capital and Drilling Inventory

The following table summarizes the Future Development Capital ("FDC") and the year over year change in the FDC for the Company's Argentina properties for the 1P and 2P reserves in the GLJ Report:

	Proved US MM\$		Proved plus Probable US MM\$	
	Undiscounted	Discounted 10%	Undiscounted	Discounted 10%
2014	32.4	26.9	69.0	61.7
2015	43.2	37.7	92.7	79.4
Change	10.8	10.8	23.7	17.7

The Company anticipates it can lower the FDC per well for all of its operations in Argentina as the country has recently reduced import restrictions allowing for better and more competitive access to services and due to economies of scale as the operation shifts to development drilling. Madalena will continue to implement North American drilling and completion techniques which are also expected to result in improved efficiency and reduced costs.

Given the nature of the resource plays (conventional and unconventional), the Company has a large inventory of drilling locations. The following table summarizes the drilling inventory that is contemplated in the GLJ Report as well as the Company's current unbooked locations for select Argentina properties:

	Proved Net Wells	Proved + Probable Net Wells	Unbooked Gross Wells	Unbooked Net Wells
Coiron Seirras Blancas	0.7	0.7	4	1
Coiron Vaca Muerta		1.1	514	180
Puesto Morales	6.0	12.0	36	36
Other		0.9	6	6
Curamhuele Lower Agrio			570	513
Curamhuele Vaca Muerta			150	135
Total	6.7	14.7	1,280	871

- 1) See Reader Advisory at the end of this release for a discussion on Unbooked locations.
- 2) Unbooked locations for Coiron Amargo Vaca Muerta are based on the GLJ Resource Report effective September 30, 2015 and represent four Hz multi frac wells every 640 acres in the mapped area.
- 3) Unbooked locations for Curamhuele Lower Agrio are based on the GLJ Resource Report effective September 30, 2015 and represent eight Hz multi frac wells every 640 acres in the mapped area.
- 4) Unbooked locations for Curamhuele Vaca Muerta are based on the Ryder Scott Resource Report effective September 30, 2015 and are based on an initial scoping study of 150 Hz multi frac wells.
- 5) Unbooked locations for Puesto Morales are based on Madalena's management mapped primary targets reflecting four Hz multi frac wells every 160 acres.

Oil and Gas Pricing Update

Oil prices in the regulated domestic market in Argentina remain strong and above the Brent oil benchmark price. The Medanito posted price for the Company's Argentina oil production is currently US\$ 67.50/Bbl.

Natural Gas is also contracted until April 30 (end of Argentina summer) at US\$ 4.20/MMbtu. The Company anticipates entering into a winter contract (May to October) in Argentina at a price of US\$ 5.20/MMbtu or higher based on last year's winter gas contract.

Health, Safety, Environment ("HSE") and Corporate Social Responsibility ("CSR")

Madalena has a comprehensive HSE management plan for its employees and all contractors. In 2015 the Company continued to see major improvements in its key performance benchmarking indicators. For the 625,000+ person hours worked, there was only one lost time incident for a contractor involved in a service rig operation. Also, in 2015 the Company recorded only one minor spill by a contractor trucking fluid on behalf of Madalena. The spill was promptly cleaned up with new contractor procedures implemented to prevent similar incidents from taking place in the future.

The Company is most proud of its CSR initiatives in Argentina. The Company is actively involved in supporting the communities in which it operates, through a number of initiatives including local employment programs, access to health care and improvement in the quality of services, education, water quality and technical assistance on sustainable agricultural production. In 2015 the Company was asked by the local authorities to share its CSR plans and help other area operators achieve similar results.

Conference Call for Interested Parties

Madalena will host a conference call to discuss the updated reserves report on Tuesday February 23, 2016 at 9:00 am MST (11:00 am EST). To participate in the conference call, please call:

1-888-390-0546 (toll free North America)

1-416-764-8688 (Toronto & International)

Conference ID: 19277837

An updated corporate presentation will be placed on the Company's website.

About Madalena Energy

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

Madalena holds over 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, 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, and disclosure with respect to reserves or resources is deemed to be forward-looking statements. 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 operational activities to be conducted by the Company and the expected characteristics of such properties, including, without limitation, the reserves associated therewith. 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.

Notes to Disclosure of Resources and Reserves

Volumes of reserves and resources have been presented based on a company interest basis which includes Madalena's royalty interests without deducting royalties payable by the Company. Certain volumes are arithmetic sums of multiple estimates of Contingent and Prospective Resources, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein. The estimates of reserves and resources for individual properties may not reflect the same confidence level as estimates of reserves and resources for all properties, due to the effects of aggregation.

Unbooked Drilling Locations

Unbooked locations as disclosed herein have been identified by for the purposes of estimating Contingent Resources and have been identified based on evaluation of applicable geologic, seismic and engineering information. There is no certainty that the Company 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 the Company actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Definitions

"Contingent Resources" Definition: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

"Prospective Resources" Definition: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

For complete list of risks and contingencies associated with the contingent and prospective resources, refer to the Company's November 4, 2015 news release for the results of its independent resource reports effective as at September 30, 2015 and the associated reader advisories and definitions.

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.