

NEWS RELEASE

July 13, 2016



MADALENA ANNOUNCES INITIAL CLOSING OF PRIVATE PLACEMENT

Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce an initial closing of CAD\$1.8 million, primarily to insiders, of a non-brokered private placement of 12% secured convertible debentures with a June 30, 2019 maturity date (the "**Convertible Debentures**"). The Madalena Board of Directors has authorized the issuance of up to CAD\$10 million of Convertible Debentures and as such, additional closings may occur.

The recent positive ownership changes at Coirón Amargo provided the Company with operatorship and a 90% working interest at Coirón Amargo Sur Este. These changes also reduced near-term work commitments at Coirón Amargo and when combined with the proceeds of the private placement, will help to alleviate the current liquidity challenges facing the Company.

The Convertible Debentures are convertible into common shares of the Company ("**Common Shares**") at a conversion price of CAD\$0.25 per Common Share. Interest on the Convertible Debentures will be payable semi-annually, in arrears. The Company may, upon notice to holders of Convertible Debentures, prepay the outstanding principal of the Convertible Debentures and any unpaid interest thereon at a price equal to:

- 106% of such amount if such notice is provided within 6 months of the closing date of the issuance of the relevant Convertible Debentures (the "**Closing Date**");
- 105% of such amount if such notice is provided between 6 -12 months after the Closing Date;
- 104% of such amount if such notice is provided between 12 -18 months after the Closing Date;
- 103% of such amount if such notice is provided between 18 - 24 months after the Closing Date; and
- 102% of such amount if such notice is provided 24 months (or later, up to the maturity date) after the Closing Date.

If a "Change of Control" (as defined in the trust indenture for the Convertible Debentures) occurs within the time frames above, a similar call premium is payable to holders of Convertible Debentures.

The Convertible Debentures will not be listed on a stock exchange and are subject to a Canadian hold period that expires four months and a day after the Closing Date. The above description of the Convertible Debentures is in summary form and is subject to the details provided in the trust indenture for the Convertible Debentures, a copy of which will be made available on SEDAR.

About Madalena Energy

Madalena is an independent, Canadian-based, 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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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. 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.

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.

THE SECURITIES OFFERED HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS. THIS PRESS RELEASE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.