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OTC Trading Symbol: MDLNF

MADALENA ANNOUNCES THIRD QUARTER 2014 FINANCIAL AND OPERATING RESULTS

Madalena Energy Inc. ("**Madalena**" or the "**Company**") (TSXV: **MVN** and US: **OTC: MDLNF**) is pleased to announce its third quarter 2014 financial and operating results. The third quarter was highlighted by the results of the accretive acquisition made by Madalena in late June 2014. The information below should be read in conjunction with Madalena's unaudited interim consolidated financial statements and related 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. Third quarter 2014 highlights as compared to the third quarter of 2013 include:

THIRD QUARTER 2014 HIGHLIGHTS

(\$CDN unless otherwise specified)

- 300% increase in production to 4,707 boe/d (75% oil & NGLs);
- 538% increase in oil and gas revenues to \$30.9 million;
- 379% increase in funds flow from operations to \$8.8 million;
- During the quarter the Company was awarded USD\$4 million for Argentine Oil Plus Credits (related to production and reserve increases in prior years). The Company anticipates collecting these credits (revenue) in 2015 and will recognize the revenue at the time of collection;
- Exited the quarter with a positive working capital position of \$18.0 million, no debt and unutilized credit facilities of \$13.0 million;
- Appointed two new independent directors Messrs. Douglas E. Brooks and Steven Sharpe to the Board directors. Messrs. Brooks and Sharpe add significant operational, strategic and governance expertise to Madalena;
- Realized oil prices in Argentina remained strong with the Company receiving an average of \$87.11 per barrel of oil during the third quarter;
- Drilled, completed and placed on production its third Sierras Blancas light oil horizontal (CAN-18(h)) after successfully targeting a third separate oil pool on its Coiron Amargo Norte block (35% WI). The CAN-18(h) horizontal was initially placed on production through permanent facilities at a rate of 910 boe/d (83% oil);
- Successfully drilled and completed a new horizontal oil and gas exploration discovery (100% WI) in the Nordegg formation on Madalena's western Canadian assets. This new discovery well flowed continuously up 7 inch casing and ended its initial clean-up period flowing at a rate of 718 boe/d (51% Oil); and
- Commenced the international operational planning related to the drilling of multiple high impact plays in 2015 focused on the Loma Montosa oil resource play, Sierras Blancas light oil pools, Vaca Muerta shale, Agrio shale, and liquids rich Mulichinco.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Financial Canadian - \$000s (except per share amounts)				
Oil and gas revenue	30,860	4,840	46,310	12,327
Funds flow from operations ⁽¹⁾	8,750	1,828	13,368	2,239
Per share - basic & diluted ⁽¹⁾	0.02	0.01	0.03	0.01
Net income (loss)	(2,267)	(118)	(5,480)	(2,758)
Per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)
Business combination	-	-	74,406	-
Capital expenditures	12,543	7,171	27,256	30,175
Working capital	17,958	8,925	17,958	8,925
Equity outstanding – 000s				
Common shares	539,783	338,698	539,783	338,698
Stock options	25,433	20,430	25,433	20,430
Operating⁽²⁾				
<i>Average Daily Sales</i>				
Crude oil and condensate – Bbls/d	3,377	401	1,592	338
Natural gas – Mcf/d	7,135	3,838	4,604	3,340
NGLs – Bbls/d	140	137	125	129
Total - boe /d ⁽³⁾	4,707	1,177	2,485	1,024
<i>Average Sales Prices</i>				
Crude oil and condensate - \$/Bbl	87.16	89.51	87.48	83.01
Natural gas - \$/Mcf	4.81	2.43	5.10	3.05
NGLs - \$/Bbl	48.56	54.54	54.58	53.33
Total - \$/boe ⁽³⁾	71.28	44.72	68.27	44.11
<i>Operating Netbacks⁽⁴⁾</i>				
\$/boe ⁽³⁾	34.29	14.82	33.76	14.61

(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 leverage 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) Sales represent production volumes adjusted for inventory changes in Argentina.

(3) Refer to - "Reserves and Other Oil and gas Disclosure" in Advisory.

(4) 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.

OUTLOOK FOR FOURTH QUARTER OF 2014 AND 2015

The Company had previously established a \$36 million capital budget for the second half of 2014. Madalena expects to spend an estimated \$26 million of such amount by the end of 2014 with certain drilling and operational activities related to the Company's International programs being carried over into 2015. The Company continues to be well positioned heading into an active 2015 year and expects to be in a positive working capital position with no debt at the end of 2014.

The Company's current base production is approximately 4,400 boe/d plus an additional estimated 200 bopd which is currently shut-in on its El Vinalar block pending maintenance work. This production is expected to be restored prior to the end of 2014. In addition, Madalena also has an estimated 500 boe/d of production additions to be brought on stream in Q1-2015 from recent drilling and completion operations conducted in Q4-2014.

Madalena has recently commenced drilling a Vaca Muerta shale delineation well on its Coiron Amargo block and plans to start drilling a fourth horizontal well into its Sierras Blancas light oil play in Q4-2014. The Company is also currently in the field conducting various production optimization activities on its Argentina properties.

With Madalena positioned with a solid production base for reinvestment, the Company expects to be very active in 2015, with plans to drill a number of wells focused on properties with scaleability and large exploitation upside both unconventionally and conventionally.

The Company is focused on maintaining a balanced approach comprised of implementing horizontal drilling and completions technology across its oil assets both in Argentina and Canada and the delineation of the Company's unconventional shales and tight sand resources in Argentina.

Among the Company's portfolio of assets, six high impact plays are proposed to be drilled and completed throughout 2015 and will focus on:

Coiron Amargo

- Continued horizontal drilling of the Company's Sierras Blancas light oil assets at Coiron Amargo across six different pools on the block;
- Vertical and horizontal multi-frac wells to further delineate and evaluate the Vaca Muerta shale oil potential at Coiron Amargo;

Puesto Morales

- Applying horizontal multi-frac technology to advance the Company's Loma Montosa oil resource play at Puesto Morales which is scaleable with regional scope;

Curamhuele

- Re-entry activities at Curamhuele to drill, complete and test the potential of the unconventional Agrio shale for light oil, offsetting a recent industry discovery on an adjacent block;
- Re-entry activities at Curamhuele to drill, complete and test the unconventional liquids-rich Mulichinco play which is over 200 meters thick on the block; and

Canada

- Horizontal development drilling and advancement of the Company's proprietary completion technology on its emerging Nordegg oil and gas resource play in west-central Alberta, Canada.

Madalena's 2015 business plan involves advancing business development initiatives related to its non-core properties. As such, the Company will continue to pursue potential non-core asset sales, select strategic joint ventures or farm-outs to create additional shareholder value.

In addition to drilling a number of plays in 2015 and working on business development initiatives, the Company also plans to conduct work-over programs and overall facility enhancement activities to continue to optimize its existing producing fields.

Madalena – International and Domestic Assets

Madalena is an independent, Canadian-based, international and domestic upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.

Madalena holds over 950,000 net acres across five provinces in Argentina where it is focused on the delineation of large petroleum in-place shale and unconventional resources in the Vaca Muerta and Agrio shales, in addition to multiple tight sand plays. The Company is also implementing horizontal drilling and completions technology to develop high impact conventional and resource plays.

Domestically, Madalena's core area of operations is located in the Greater Paddle River area of west-central Alberta where the Company holds approximately 200 gross (150 net) sections of land (approximately 78% average W.I.) encompassing light oil and liquids-rich gas resource plays. Madalena's primary domestic focus is to exploit its large inventory of horizontal drilling locations across its oil and liquids-rich gas resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN and on the US: OTC 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, including, without limitation, with respect to the expected timing and details of operational activities, including drilling, completion, re-entry, evaluation and seismic activities, anticipated financial condition (including working capital position, debt and balance sheet levels) and metrics and anticipated production levels. 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 planned operational activities to be conducted by the Company. In addition, statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future. 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

Reserves and Other Oil and Gas Disclosure

Any references in this news release to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes behind pipe 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, the Vaca Muerta shale is an unconventional resource play which may be subject to high initial decline rates.

All calculations converting natural gas to barrels of oil equivalent ("boe") have been made using a conversion ratio of six thousand cubic feet (six "Mcf") of natural gas to one barrel of oil, unless otherwise stated. The use of boe may be misleading, particularly if used in isolation, as the conversion ratio of six Mcf of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 on a 6:1 basis may be misleading as an indication of value.

Certain information in this document 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 in which Madalena may hold 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 of 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.

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.