



### MADALENA ANNOUNCES Q3 - 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) announces its operating and financial results for the three and nine months ended September 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 nine months ended September 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](http://www.sedar.com) and on the Company's website at [www.madalenaenergy.com](http://www.madalenaenergy.com).

#### SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
<b>Financial</b> – (\$000s, except per share amounts)				
Oil and gas revenue	11,728	20,816	39,609	63,824
Funds flow from continuing operations <sup>(1)</sup>	840	15,959	5,821	25,369
Per share - basic & diluted <sup>(1)</sup>	0.00	0.03	0.01	0.05
Net income (loss) from continuing operations	(12,715)	7,939	(22,697)	6,345
Per share - basic & diluted <sup>(1)</sup>	(0.02)	0.01	(0.04)	0.01
Capital expenditures	622	14,453	6,008	28,257
Working capital (deficiency)	(3,839)	462	(3,839)	462
Common shares outstanding - 000s	543,780	541,000	543,780	541,000
<b>Operating</b>				
<i>Average Daily Sales</i>				
Crude oil and Ngl's – Bbls/d	1,853	2,705	2,114	2,817
Natural gas – Mcf/d	2,368	3,843	2,659	4,064
Total - Boe /d	2,247	3,346	2,557	3,494
<i>Average Sales Prices</i>				
Crude oil and Ngl's - \$/Bbl	61.65	75.76	62.10	75.81
Natural gas - \$/Mcf	5.60	5.54	4.99	4.98
Total - \$/Boe	56.72	67.62	56.53	66.91
Operating Netbacks <sup>(2)</sup> - \$/Boe	17.23	29.59	23.04	30.00

(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.

Crude oil and NGL sales volumes for the three months ended September 30, 2016 (“the Quarter” or “Q3-2016”) decreased to 1,853 boe/d from 2,705 boe/d for the three months ended September 30, 2015 (“Q3-2015”). The change compared to Q3-2015, can be attributed to production declines at both Surubi and Rinconada - Puesto Morales. Natural gas sales volumes for the Quarter of 2,368 mcf/d, decreased compared to 3,843 mcf/d for Q3-2015 due to lower production at Rinconada - Puesto Morales and CA-Norte.

While the decrease at Rinconada - Puesto Morales was from natural declines, the Surubi decline was a function of a delay in remedial work. Subsequent to September 30, 2016, the remedial work program at Surubi commenced and is currently ongoing. The Company believes that the remedial work program will allow incremental production to be brought back on line.

While the Argentine government has not announced adjustments to regulated Medanito oil pricing, the Company was advised by the refineries to which it delivers its oil production that the oil price it will receive for November and December 2016 oil production will be reduced by approximately 30%, bringing prices to be received in those months in line with international levels. The Company is undertaking a review of its operating assets in order to determine the extent of the financial impact caused by lower oil prices. While this analysis is not complete, it is clear that the reduction in oil prices communicated to the Company by the refiners will have a significant negative impact.

As at September 30, 2016, the Company had a working capital deficit of approximately \$3.8 million and continued to face significant liquidity challenges. Of that amount, approximately \$2 million relates to overdue amounts payable to the operator at Coiron Amargo-Norte (“CA-Norte”). This payable is fully recorded as part of trade and other payables in the condensed interim consolidated statements of financial position at September 30, 2016.

Madalena has received a notice from this operator relating to Madalena’s overdue payable and has been advised that Madalena’s share of oil and gas sales are being applied against the outstanding payable. The Company is in discussions with the operator to satisfy the outstanding payable. Should the matter not be resolved prior to April 21, 2017, a potential outcome is the ultimate forfeiture of Madalena’s working interest at CA-Norte.

Management in Canada and Argentina have been taking measures for some time now to reduce expenses and conserve cash. Office and field personnel have been reduced in both countries, office space has been downsized in Canada and other costs saving measures have been implemented wherever possible. Cash has been preserved by deferring the payment of amounts owed to directors and management fees owed to the Interim CEO of the Company. In addition, all capital spending has been limited or deferred.

#### **Strategic Alternatives Update**

The strategic alternatives process previously announced continues. The Company, along with its financial advisor, Evercore Group LLC, is actively involved in negotiations with a number of parties who have expressed interest in various transactions with Madalena. There can be no assurance that such transactions will be consummated.

#### **Outlook**

The current year-to-date losses, current working capital deficiency, the expectation of reduced near term cash flow resulting from lower oil prices in Argentina, as well as the capital commitments in 2016 and 2017 are expected to result in cash outflows that exceed anticipated future funds from operations. The Company continues to include a note of going concern uncertainty in the condensed interim consolidated financial statements. Without an infusion of capital and/or a successful outcome from the strategic alternatives process in the near term, Madalena may not be able to continue as a going concern.

#### **About Madalena Energy**

Madalena is an independent, Canadian headquartered Argentina 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 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 or continue operating at all. 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](http://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.**