Madalena Ventures Inc.

Annual Information Form

Year Ended December 31, 2010

April 28, 2011

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ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
Mstb	1,000 stock tank barrels	MMbtu	million British Thermal Units
bopd	barrels of oil per day	Bcf	billion cubic feet
NGLs	natural gas liquids	Tcf	trillion cubic feet
STB	stock tank barrels	Gj	gigajoule

Other

API	American Petroleum Institute
ºAPI	an indication of the specific gravity of crude oil measured on the API gravity scale
ARTC	Alberta Royalty Tax Credit
BOE or boe	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas
m^3	cubic metres
Mboe	1,000 barrels of oil equivalent
Mstboe	1,000 stock tank barrels of oil equivalent
$000's or M$	Thousands of dollars
$mm	Millions of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
psi	pounds per square inch

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls oil	6.293
feet	Metres	0.305
metres	Feet	3.281
miles	kilometres	1.609
kilometres	Miles	0.621
acres	Hectares	0.405
hectares	Acres	2.471
gigajoules	MMbtu	0.950

In this document, a boe conversion ratio of 6 Mcf = 1 bbl has been used throughout this document. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained herein including, without limitation, financial and business prospects and financial outlook, reserve and production estimates, expected levels of activity, budgeted capital expenditures and the method of funding thereof, drilling, completion and tie-in plans and productive capacity of wells may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates and estimated production rates, changes in royalty rates and expenses, environmental risks, partner risk and competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, changes in the regulatory and taxation environment, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. The recovery and reserve estimates of Madalena's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Madalena believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Madalena can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Madalena operates; the timely receipt of any required regulatory approvals; the ability of Madalena to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of Madalena to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Madalena to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Madalena operates; and the ability of Madalena to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of factors is not exhaustive, Additional information on these and other factors that could affect Madalena's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) and Madalena's website (www.madalena-ventures.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Corporation assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the oil and gas industry and management's general expectations concerning this industry is based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which management believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

NON-GAAP MEASURES

Funds flow from operations and operating netbacks are not recognized measures under GAAP. Management believes that funds flow from operations and operating netbacks are useful supplemental measures as they demonstrate Madalena's ability to generate the cash necessary to repay debt or fund future growth through capital investment. Readers are cautioned, however, that these measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of Madalena's performance. Madalena's method of calculating these measures may differ from other companies and accordingly they may not be comparable to measures used by other companies. For these purposes, Madalena defines funds flow from operations as cash provided by operations before changes in non-cash operating working capital and defines operating netbacks as revenue less royalties and operating expenses.

CERTAIN DEFINITIONS

In this Annual Information Form, the following words and phrases have the following meanings:

"**AIF**" means this annual information form of the Corporation dated April 28, 2011;

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**Coiron Amargo Block**" means the Coiron Amargo exploration block in the province of Neuquén, Argentina which Madalena holds through Madalena Argentina;

"**Common Shares**" or "**common shares**" means the common shares in the capital of Madalena;

"**Corporation**" or "**Madalena**" means Madalena Ventures Inc., a corporation created under the laws of the Province of British Columbia, and continued under the laws of the Province of Alberta;

"**Cortadera Block**" means the Cortadera exploration block in the province of Neuquén, Argentina which Madalena holds through Madalena Argentina;

"**Curamhuele Block**" means the Curamhuele exploration block in the province of Neuquén, Argentina which Madalena holds through Madalena Argentina;

"**G&P**" means Gas y Petroleo del Neuquén S.A., the provincial hydrocarbon company of the Province of Neuquén;

"**Gross**" or "**gross**" means:

(a) in relation to the Corporation's interest in production and reserves, its "Corporation gross reserves", which are the Corporation's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Corporation;

(b) in relation to wells, the total number of wells in which the Corporation has an interest; and

(c) in relation to properties, the total area of properties in which the Corporation has an interest;

"**HIDENESA**" means Hidrocarburos del Neuquén Sociedad Anonime, the predecessor of G&P as the provincial hydrocarbon company of the Province of Neuquén;

"**Insite**" means Insite Petroleum Consultants Ltd.;

"**Insite Report**" means the report of Insite dated April 14, 2011 evaluating the crude oil, natural gas liquids and natural gas reserves of the Corporation as at December 31, 2010;

"**Madalena Argentina**" means Madalena Austral S.A., an entity existing pursuant to the laws of Argentina and a subsidiary of the Corporation;

"**MVIHC**" means Madalena Ventures International Holding Company Inc., an entity existing pursuant to the laws of Barbados and a wholly-owned subsidiary of the Corporation;

"**MVII**" means Madalena Ventures International Inc., an entity existing pursuant to the laws of Barbados and a wholly-owned subsidiary of MVIHC;

"**Net**" or "**net**" means:

(a) in relation to the Corporation's interest in production and reserves, the Corporation's interest (operating and non-operating) share after deduction of royalties obligations, plus the Corporation's royalty interest in production or reserves;

(b) in relation to wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and

(c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

"**NGL**" or "**NGLs**" means natural gas liquid or natural gas liquids;

"**NI 51-101**" means National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities;

"**NI 51-102**" means National Instrument 51-102 - Continuous Disclosure Obligations;

"**TSXV**" means the TSX Venture Exchange, Inc.; and

"**US dollars**" or "**US $**" means U.S. dollars.

Unless stated otherwise, references to "dollars" or "$" reflect Canadian currency.

MADALENA VENTURES INC.

General

Madalena was created under the laws of the Province of British Columbia on September 14, 2001, on the amalgamation of Madalena Gold Company and Corsair Minerals Inc., as part of a statutory arrangement (the "**Arrangement**") under the former *Issuer Act* (British Columbia) involving Pacific Genesis Technologies, Madalena Gold Company, and Corsair Minerals Inc. On September 30, 2004 Madalena Ventures Inc. amalgamated with a wholly owned subsidiary, RMS Medical Systems Research (B.C.) Ltd., and was continued as Madalena Ventures Inc.

On August 22, 2006 the Corporation completed a further plan of arrangement (the "**2006 Arrangement**") whereby the mineral exploration assets, and marketable securities related to the mineral exploration assets, were transferred to Great Bear Resources Inc. ("**GBR**"), which was formerly a wholly-owned subsidiary of Madalena, with each shareholder of Madalena receiving one common share of GBR for every fifteen (15) Common Shares held. The purpose of the 2006 Arrangement was to separate the mineral exploration business in GBR so that GBR could carry on the mineral exploration business, and Madalena could focus on its recently developed oil and gas exploration business. The Corporation was then continued from the province of British Columbia to the province of Alberta on September 26, 2006.

The Common Shares are listed on the TSXV under the symbol "MVN".

The Corporation's principal office is located at 200, 441 - 5th Avenue S.W., Calgary, Alberta, T2P 2V1, and the Corporation's registered office is located at Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

Inter-corporate Relationships

The Corporation owns 100% of the outstanding common shares of MVIHC which in turn owns 100% of the outstanding common shares of MVII. Madalena owns 90% and MVII owns 10% of the outstanding shares of Madalena Argentina, respectively.

GENERAL DEVELOPMENT OF THE BUSINESS

Madalena is an independent, Canadian-based, international upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas. The Corporation has exploration and production operations in Argentina. The following is a summary of the business operations of the Corporation over the last three completed financial years.

Three Year History

2008

Corporate Matters

On January 18, 2008 Madalena transferred two seismic exploration agreements it had negotiated with Storm Ventures International Inc. ("**Storm**") in relation to the Remada Sud and Hammamet exploration blocks in Tunisia, to its wholly owned subsidiary, MVII in Barbados.

On April 4, 2008, Madalena closed a private placement financing, on a non-brokered basis, through the issuance of 4,375,003 Common Shares at a price of $0.56 per Common Share for gross proceeds of $2.45 million. Proceeds from the private placement were added to the Corporation's working capital and were used to advance the Corporation's exploration programs in Argentina and to assist MVII to fund its exploration program in Tunisia.

Canadian Operations

During 2008, Madalena maintained its non-operated investments in its Canadian lands by participating in ordinary operations through the operator.

Argentine Operations

The Curamhuele Block

In June 2008, Madalena equipment was moved to the Curamhuele Block to evaluate pressures and potential productivity from two existing well bores drilled in the 1990's (Yapai X-1 and Curamhuele X-1) and additional high pressure wellhead equipment was ordered and access road improvements were made to carry out the evaluation. Further, at that date, the 3D seismic program for the Curamhuele Block was proceeding on schedule.

In July 2008, operations to evaluate pressures and potential productivity from two existing well bores on the Curamhuele Block were completed with successful results. The previously suspended Yapai X-1 well was tested with positive results over a period of 42 hours incorporating various controlled settings of between 9 and 18 millimetres. During this period a total of 14 million cubic feet of gas was flared for an average test rate of 8 million cubic feet per day and varying rates of light oil and condensate production from the Mulichinco formation. The flow rate measured through a nine millimetre choke over a period of 12 hours was 7 million cubic feet per day of gas, an average of 240 bopd of hydrocarbon liquids and 42 bopd of water at a flowing pressure of 2,350 psi. The hydrocarbon liquid gravities tested indicated the presence of high quality hydrocarbons of between 44 °API to 53 °API for oil and condensate. The shut-in wellhead pressure before and after the test was 4,800 psi. The Yapai X-1 well was originally drilled in 1990 to a depth of 3,883 meters (12,740 feet) and sidetracked in 1995. The structural trap encountered in this well was not the primary prospect for the Curamhuele Block and represents a significant additional target for the Corporation's future exploration drilling plans.

In July 2008, following the removal of well plugs from a second well bore located on the Curamhuele Block, the well known as Curamhuele X-1 produced approximately 170 barrels of oil from the Lower Agrio formation over five flow periods of between four to six hours conducted during a five day period. The drilling logs for the existing Curamhuele X-1 wellbore indicate that in addition to the oil recovered from this test there is a significant column of additional potential hydrocarbon pay within the Lower Agrio as well as the Mulichinco formation which was successfully tested in the aforementioned Yapai X-1 well bore. Madalena reviewed the new production information in conjunction with previous log and well data and is preparing plans for completing and testing the previously untested intervals in the Lower Agrio and Mulichinco formations within this well bore. The Curamhuele X-1 well was originally drilled in 1995 to a depth of 2807 meters and deepened to 3444 meters in 1999 and is located approximately 7 kilometres from the Yapai X-1 well bore. The Lower Agile formation tested in this well is not the primary target for the Curamhuele Block and represents another significant additional target for Madalena's exploration drilling plans.

In August 2008, the Corporation was in the process of analyzing the testing data from the Curamhuele Block to evaluate the potential development, tie-in and marketing options available, and it was in the process of shooting a 3D seismic program to further delineate the prospectivity of the Curamhuele Block,

In December, 2008, the Corporation had finished the shooting of an extensive 3D seismic program over the Curamhuele Block to further delineate prospectivity. The seismic program was in processing, with interpretation to be underway during Q1 2009. The Corporation also analyzed the testing data from the previously tested Yapai X-1 well and evaluated the potential development, tie-in and marketing options available for the production from the well.

The Cortadera Block

In July 2008, a 3D seismic program on the Cortadera Block was underway.

In December 2008, Madalena had finished the shooting of an extensive 3D seismic program over the Cortadera Block to further delineate prospectivity. The seismic program was in processing, with interpretation to be underway during Q1 2009.

In December 2008, Madalena finalized negotiations to acquire an additional 20% working interest in the Cortadera Block from its partner in the Neuquén Basin, bringing the Corporation's holdings to a 90% working interest and operatorship of the Cortadera Block.

The Coiron Amargo Block

In June 2008, Madalena announced that a 3D seismic program for the Coiron Amargo Block was proceeding on schedule. Madalena had identified several prospective drilling locations that were in the process of being surveyed and finalized with partners.

In July 2008, the 3D seismic programs on the Coiron Amargo Block were continuing.

In November 2008, Madalena finalized negotiations for a drilling contract for the Corporation's first exploration well in Argentina on the Coiron Amargo Block, with drilling set to commence in January 2009 on a prospective feature identified by 3D seismic.

In December, 2008, the drilling rig contracted to drill the Corporation's CAN X-2 exploratory well on the Coiron Amargo Block was moved onto the drill site, and drilling operations were to commence during the first week of January 2009. The CAN X-2 exploratory well was situated on a 3D defined drilling anomaly located less than one kilometre from the producing Loma Jarillosa pool located directly west of the prospect.

Tunisian Operations

Hammamet Block

In 2008 MVII evaluated the 3D seismic program conducted in 2007 and the potential reactivation of the Tazerka field located on the Hammamet block. MVII determined that economically it would be unable to participate in drilling a test exploration well on the block to earn a 15% working interest and announced the termination of its participation in the Hammamet block in March of 2009.

Remada Sud Block

MVII made significant progress during fiscal 2008 on its exploration opportunities on the Remada Sud block located in the Ghadames Basin in southern Tunisia. On March 31, 2008, MVII announced the commencement of drilling of the first test well (the "**TT2 well**") on the Ramada Sud block. On April 25, 2008, MVII announced that the well had reached a total depth of 1,500 meters (4,900 feet) in the Ordovician Kasbah Leguine formation, a 60 meter (200 foot) core was cut through the potential reservoir, open hole logs were recorded, and pre-drilling expectations of encountering a 50 meter (165 foot) potential hydrocarbon column in Ordovician quartzites appeared to have been achieved. MVII earned a 15% interest in 600,000 acres on the Remada Sud block in exchange for paying 30% of the cost of drilling the TT2 well, and has the option to pay 30% of the costs of a second test well to earn an additional 15% in the remaining 600,000 acres on the block.

During May, June and July of 2008, the TT2 well was cased to total depth, and various stimulation and production tests were completed. On July 24, 2008, MVII announced that the TT2 well had encountered hydrocarbons in the Ordovician Bir Ben Tartar formation, and had shown indications of hydrocarbons in the Ordovician Jaffara and the Siluran Tannezuft formations. Three intervals in the Bir Ben Tartar formation were tested. The upper two intervals attained combined flow rates of 300 bopd of 45º API oil and 200 thousand cubic feet of associated gas without stimulation. The lower interval tested small amounts of formation water and was abandoned. Additional testing and evaluation of the other formations took place in August and September of 2008. On September 17, 2008 MVII announced that the TT2 well appeared capable of producing light oil from Ordovician Bir Ben Tartar formation at commercial flow rates similar to those announced on July 24, 2008, and that the additional tests on the other intervals did not result in any significant hydrocarbon inflow. The well was temporarily suspended pending further appraisal of the discovery and submission of a development plan to "ETAP", the Tunisian National Oil Company. On December 29, 2008 MVII announced that it anticipated the TT2 well would be completed and placed on production during Q1 2009, pending final approvals.

2009

Corporate Matters

In February 2009, the Corporation appointed Mr. Jay Reid to the Board of Directors. Mr. Reid has practiced corporate and securities law since 1990 and has extensive experience with the public issue of securities for oil and gas issuers. On July 30, 2009, Mr. James K. Wilson resigned from the Board of Directors.

On December 30, 2009, the Corporation completed a financing by way of short form prospectus, issuing 66,667,000 units ("**Units**") of the Corporation at an issue price of $0.15 per Unit, resulting in aggregate gross proceeds of approximately $10,000,000. Each Unit consisted of one Common Share and one-half of one Common Share purchase warrant ("**Warrant**"), with each whole Warrant entitling the holder to purchase one Common Share at an exercise price of $0.25 at any time prior to December 30, 2010.

Canadian Operations

On August 27, 2009, the Corporation completed the sale of its non-core Canadian oil and gas properties to an arm's length third party for aggregate cash consideration for $554,000.

Argentine Operations

The Coiron Amargo Block

On February 5, 2009, Madalena announced that the CAN X-2 well was drilled and cased to a total depth of 3,353 meters (11,001 feet). The Corporation also announced that it had identified two separate zones with hydrocarbon potential and it was moving completion equipment onsite to perforate and adequately test the potential productivity from the two zones.

On February 24, 2009, Madalena announced that the deeper of the two formations, the Sierras Blancas formation, was initially perforated and tested for a 48 hour period at varying choke sizes. During this 48 hour period the CAN X-2 well flowed approximately 1,000 bbls of oil with a 0-1% water cut and without requiring artificial stimulation. At the end of the 48-hour period, the well appeared to stabilize at a rate of approximately 400 bopd with an oil gravity of 38°AP1. The Sierras Blancas formation is the primary zone currently producing from offsetting blocks which have been developed using both vertical and horizontal drilling. The CAN-X2 well represented the first well drilled into a new Sierras Blancas oil pool discovery on the block and was drilled vertically to enable the Corporation to evaluate all potential hydrocarbon zones and clearly identify the oil water contact for future horizontal drilling application. A number of the Sierras Blancas producing oil wells in the offsetting blocks have approximately 15 to 20 meters of oil pay over water and often require fracture stimulation to enhance productivity. The CAN-X2 well encountered approximately 20 meters of oil pay over water and did not appear to require fracture stimulation due to the presence of an excellent porosity/permeability system at the top of the CAN-X2 reservoir as evidenced by log results and the significant flowing test rates and pressures.

On March 5, 2009, Madalena confirmed the production tests released on February 24, 2009, and announced that a second potential zone in the well bore, the Vaca Muerta formation, had been tested yielding no hydrocarbon inflows after initial perforation and acid stimulation. Madalena elected not to fracture stimulate the Vaca Muerta formation but believes that there is significant future potential on the block for future Vaca Muerta exploration and development. Since March 2009, the Corporation has production tested the CAN X-2 well. Commercial production status can be applied for by the Corporation upon completion of the test production period. Based on 3D seismic surveys and production information from this well, the Corporation has identified a number of targets for additional wells on the block.

In November 2009, the Corporation entered into a two stage, multi-well drilling program (the "**Farm-out**") on its Coiron Amargo Block with a company that has extensive experience operating in the Neuquén basin and with operations in close proximity to the Coiron Amargo Block and in Columbia. The terms of the Farm-out provide for Apco Oil & Gas International Inc., Sucursal Argentina, ("**Apco**" or "**Farmee**") to drill a minimum of two exploration wells on the Farm-out to earn 25% (net 17.5%) of Madalena's current 70% net working interest in the Farm-out (excluding the Norte 2 structure in which the CAN X-2 well was drilled) with the option to drill two additional earning wells to earn an additional 25% (net 17.5%) of Madalena's current 70% net working interest in the block (including the Norte 2 structure). Madalena will continue to own a net 52.5% working interest in the block after the first two wells have been drilled, and a net 35% working interest in the block in the event the two option wells are drilled. Should cumulative investments under the Farm-out exceed US$18.4 million (including VAT), the Farmee will automatically earn 50% (net 35%) of Madalena's current 70% net working interest in the block (including the Norte 2 structure) and each working interest owner would be responsible for subsequent costs based on their participating interest. Madalena estimates the potential for approximately 38 additional wells to be drilled on the block based on the Corporation's 3D seismic interpretation over the block and the results of the successful CAN X-2 discovery well drilled on the block earlier in 2009.

The Curamhuele and Cortadera Blocks

In 2009, the Corporation had substantially completed processing and interpretation of 3D seismic data received from the 3D seismic exploration programs conducted on the Curamhuele Block and the Cortadera Block. Interpretation of the 3D seismic data indicated structures in the Avile, Troncoso, and Mulichinco formations which are similar in nature to structures which have been successfully drilled and developed on the Filo Morado and El Porton fields to the north. The Filo Morado field has produced approximately 64 million boes since its discovery in 1986, and the El Porton field has produced approximately 66 million boes since its discovery in 1990.[1] Field studies confirmed the presence of source rock and reservoir rock located directly on the both Curamhuele Block and Cortadera Block.

Tunisian Operations

Remada Sud Block

On March 16, 2009, Storm received approval from the Tunisian national oil company ("**ETAP**") to conduct a long term production test and on April 20, 2009, MVII announced that after a successful work over the well was currently producing approximately 230 bopd of 43° API oil at a well head pressure of 100 psi with a water cut averaging 2% under the long term production test approved by ETAP. As at December 31, 2009, the test production period had not been completed. Commercial production status can be applied for upon completion of the test production period.

Work on a formal plan for the phased development of the concession continued during the year and the Corporation agreed to participate in two 3D seismic exploration programs to further delineate structures on the Remada Sud property. This additional seismic information was to be used to submit a phased development plan to ETAP and was expected to include a minimum of one additional TT2 development well, which the Corporation anticipated to be drilled in 2010.

Effective February 1, 2010, the Corporation sold its interest in the Remada Sud Permit in Tunisia to Storm Ventures International Inc. for cash consideration of $4,000,000 US.

2010

Corporate Matters

On February 1, 2010, the Corporation appointed Mr. Anthony J. Potter to the office of Vice President, Finance and Chief Financial Officer of the Corporation. The former Vice President, Finance and Chief Financial Officer, Gregory J. Ford, resigned from the Corporation effective February 1, 2010.

On June 4, 2010, the Corporation promoted Mr. Dwayne Warkentin to the office of President and Chief Executive Officer of the Corporation. Mr. Warkentin previously held the position of Senior Vice President and Chief Operating Officer of Madalena for the previous four years. The former President and Chief Executive Officer, Mr. Ken Broadhurst, resigned from the Corporation for personal reasons.

At the annual and special meeting of shareholders on June 22, 2010, Mr. Potter and Mr. Keith Macdonald were elected by the shareholders of the Corporation to join the Board of Directors.

On July 21, 2010, Mr. Barry B. Larson was appointed to the Board of Directors.

[1] The production data associated with the Filo Morado field may constitute "analogous information". Such information was released in the Concession Reserves and Resources Statistics Report effective December 31, 2008 from the Secretaria de Energia de la Nacion Argentina. The data relates to production in geographical proximity to prospective lands held by Madalena. Management believes the information is relevant as it helps to define the reservoir characteristics in which the Corporation may have an interest. The Corporation is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor or in accordance with the COGE Handbook and therefore, the reader is cautioned that the data relied upon by Madalena may be in error and/or may not be analogous to Madalena's land holdings.

On October 21, 2010, the Corporation announced that it had entered into a bought deal financing agreement with a syndicate of underwriters to issue 23,100,000 Common Shares pursuant to a short form prospectus at a price of $0.65 per Common Share for gross proceeds of $15,015,000 (the "**Offering**"). The Corporation also granted the underwriters an option, exercisable in whole or in part, for a period commencing on the closing of this Offering and ending 30 days following the closing date, to purchase up to an additional 2,310,000 Common Shares at a price of $0.65 per Common Share for additional gross proceeds of up to $1,501,500. Later on October 21, 2010, the Corporation announced that it had reached an agreement with the Underwriters to increase the Offering to a total of 38,465,000 Common Shares for total gross proceeds of $25,002,250. All other terms and conditions of the Offering, including the over-allotment option granted to the Underwriters, remained the same as previously announced.

On November 10, 2010, Madalena closed the Offering pursuant to which it issued 40,775,000 Common Shares, including 2,310,000 Common Shares issued pursuant to the exercise in full by the Underwriters of an over-allotment option, at an issue price of $0.65 per Common Share for aggregate gross proceeds of $26,503,750.

Argentine Operations

The Coiron Amargo Block

On February 17, 2010, the Corporation announced it had finalized formal documentation with Apco and had received all required approvals to enter into the Farm-out.

On May 25, 2010, the Corporation announced that it had successfully completed negotiations for the extension of the term of the exploration period on the Coiron Amargo Block totalling three years commencing from the end of the initial three year exploration period on November 9, 2010. The first extension period is a one year continuation to the existing exploration period to be followed by a new two year exploration period. There will be no requirement to relinquish non-commercial or non-prospective acreage on the block until the end of the one year continuation. The subsequent new two year exploration period for the block will require additional gross work commitments the equivalent of $US 3.1 million which will include the drilling of at least one well on the block.

On August 5, 2010, Madalena announced that that the drilling rig contracted to drill the Corporation's CAN X-3 exploratory well on the Coiron Amargo Block was moved on to the drill site. The well is situated on a separately defined 3D drilling anomaly located approximately 8 kilometers east of the CAN X-2 discovery well drilled on the block in 2009. The well was expected to take approximately 30 days to drill and if successful, a completion of the well was to be performed. Immediately following the drilling of CAN X-3, the drilling rig was to be mobilized to drill the CAN X-1 location, another separately defined 3D anomaly midway between the CAN X-2 producing well and the CAN X-3 location. Both wells were scheduled to be drilled to approximately 3,300m (10,824 feet) depth and to penetrate not only the primary objective horizon in the Sierras Blancas formation, but will also allow examination of the prospective Quintuco and Vaca Muerta horizons above, and the Lotena formation below.

On August 31, 2010, Madalena announced that the Corporation's CAN X-3 exploratory well on the Coiron Amargo Block had been cased as a potential oil discovery. The CAN X-3 exploration well was drilled to total depth of 10,590 feet and has been cased to TD. The well encountered two zones with hydrocarbon potential. In the deeper of the two formations, the Sierras Blancas formation, the well had good oil shows and based on electric logs encountered a gross hydrocarbon column of approximately 75 feet. The second potential zone in the wellbore, the Vaca Muerta formation, had 110 feet of hydrocarbon shows during the drilling phase. A special electric logging suite was run over this section in order to gather information previously not available on this shale formation.

On October 12, 2010, Madalena announced that testing operations on the CAN-X3 exploration well had commenced. During testing, the bottom 23 feet of a 75 foot hydrocarbon column in the Sierras Blancas formation was perforated. This interval tested at flow rates of between 100-160 bbl/d with a 70% water cut and 650-890 mcfpd with flow pressures between 200-640 psi wellhead pressure on various choke sizes ranging from 1/4" to 5/8" for a total flow test of 200-300 boepd of hydrocarbons from the original perforations. A cement squeeze operation was subsequently carried out to isolate a lower water zone that appeared to be in contact with the perforated interval. Subsequent testing indicates that the lower water zone is still in partial communication with the perforated interval averaging 190 boepd with a 20% water cut on clean-up. Further time was required to facilitate a decision to either perforate the remaining two upper intervals and test the entire interval or, re-squeeze the lower interval in an effort to totally shut off any water communication, followed by re-perforating to re-evaluate the lower interval prior to moving to test the upper intervals.

On November 16, 2010, Madalena provided an update on the results from its drilling and testing operations on the CAN-X1 exploration well located on the Coiron Amargo Block. The CAN X-1 exploration well was drilled to a total depth of 10,930 feet and encountered several zones with hydrocarbon potential. During testing, two intervals totalling 26 feet were perforated in the Sierras Blancas formation. After fracture stimulation, the well tested over a 22 hour period at flow rates of between 660 - 1,620 bopd of 40 degree API light crude oil with 1,170-1,350 mcfd of gas at flow pressures between 445 - 1,000 psi wellhead pressure yielding total flow test rates of 850 - 1,851 boepd. The Corporation completed testing operations and placed the well on production.

The Curamhuele Block

On May 25, 2010, the Corporation announced that it had successfully completed negotiations for the extension of the term of the exploration period on the Curamhuele Block totalling three years commencing from the end of the initial three year exploration period on November 9, 2010. The first extension period is a one year continuation to the existing exploration period to be followed by a new two year exploration period. There will be no requirement to relinquish non-commercial or non-prospective acreage on the block until the end of the one year continuation. The subsequent new two year exploration period for the block will require gross additional work commitments the equivalent of $US 2.0 million which will include the drilling of at least one well on the block.

On August 5, 2010, Madalena announced with respect to the Curamhuele Block, the Corporation had obtained approval of the Environmental Impact Assessment from the sub-secretariat of Environment of the Province of Neuquén allowing the Corporation to commence preparations for the drilling of its first exploration well on the Curamhuele block. The well location was selected based on 3D seismic acquired during the last half of 2008 and is situated up-structure and approximately 2.4 kilometres south west of the existing cased well, Curamhuele X-1. The well is planned to be drilled to a drilling depth of approximately 2,700 metres in order to penetrate the Lower Troncoso and Avile formations which tested 190 barrels of fluid per day (2% being oil) and 145 barrels of fluid per day (26% being 37 API gravity oil), respectively, from the Curamhuele X-1 well.

On October 12, 2010, Madalena reported that drilling operations had commenced on the Corporation's Curamhuele X-1001 exploratory well. The well is planned to be drilled to a drilling depth of approximately 8,850 feet in order to penetrate the Lower Troncoso and Avile formations. The well is expected to take approximately 30 days to drill and if successful, a completion of the well will be performed.

On November 16, 2010, Madalena announced that, with respect to the Curamhuele X-1001 exploration well, the well was being prepared to set 13-3/8 inch casing at 4,000 feet and was now expected to reach TD in December 2010.

On December 14, 2010, Madalena announced the Curamhuele X-1001 exploration well had been temporarily suspended with intermediate casing set at 4,000 feet due to operational issues associated with drilling through the lower portion of the Neuquén group formation. Madalena announced that it intended to re-enter the well and continue to the objective formations early in the new year utilizing specialized equipment that is not available at this time. Plans to re-enter the well will be combined with ongoing preparations to drill the Yapai X-1001 (previously named Yapai X-2) thrust play well in the first quarter of 2011.

The Cortadera Block

On May 25, 2010, the Corporation announced that it had successfully completed negotiations for the extension of the term of the exploration period on the Cortadera Block. The Corporation received a second three year exploration period commencing on October 26, 2010. The new three year exploration period will require an additional gross work commitment the equivalent of $US2.0 million which may be fulfilled through conducting additional seismic or the drilling of a well. The Corporation is scheduled to relinquish a portion of the non-prospective acreage at the end of the first exploration period.

On October 21, 2010, the Corporation announced a farm-out of the Cortadera Block to Apache Energia Argentina S.R.L. ("**Apache**"). The terms of the farm-out provide for Apache to carry Madalena's exploration commitments on the block including the drilling of at least one exploration well on the block to earn a 50% working interest in the block. Apache's capital commitment under the farm-out is US$6 million. Madalena will retain a significant 40% working interest in the block. The farm-out will become effective once the parties receive final government approval of the transaction. Several multiple zone exploration targets have been identified and a well location is currently being selected which, upon final approval of the farm-out, will be drilled by Apache to a depth of approximately 13,800 feet to evaluate multiple targets.

Tunisian Operations

Effective February 1, 2010, the Corporation sold its interest in the Remada Sud Permit in Tunisia to Storm Ventures International Inc. for cash consideration of $4,000,000 US.

Recent Developments

On February 17, 2011, Madalena provided an update of its operating activities in Argentina, including:

- drilling of the Curamhuele X-1001 exploration well was expected to recommence the week of February 20, 2011;

- site preparation work to drill the Yapai X-1001 thrust play well was completed and once drilling operations at Curamhuele X-1001 are complete, the drilling rig will be moved to the Yapai X-1001 location situated 5 km to the south west of Curamhuele X¬1001;

- drilling of the CAN X-1 exploration well on the Coiron Amargo Block in the southern portion of the block was expected to also commence the week of February 20, 2011; and

- on the Cortadera Block, the environmental impact assessment submitted in December 2010 had been approved and road and site construction was underway with drilling expected to commence in the second quarter, 2011.

Madalena also announced that in preparation for future drilling operations and growth in Argentina, Madalena appointed Mr. Ruy Riavitz as Operations Manager - Neuquén.

On April 6, 2011, the Corporation provided an operations update and announced that:

- the CAS X-1 exploratory well on the Coiron Amargo Block has been cased as a potential hydrocarbon discovery. The well is situated in the southern portion of the block approximately 16 km south of the successful CAN X-1 exploration well drilled in the northern portion of the block in September 2010.

  The CAS X-1 well was drilled to a total depth ("TD") of 11,840 feet and has been cased to 11,040 feet in the Sierras Blancas formation. The rig will be released shortly and move to drill the CAN X-4 well in the northern portion of the block. Both oil and gas shows were evident during the drilling of the Vaca Muerta and Sierras Blancas formations. Based on electric logs, the Vaca Muerta formation is similar to the Vaca Muerta formation encountered in the previous three wells drilled on the northern portion of the block. In addition, the Company acquired for further study nine sidewall cores at various intervals over the entire formation. The Sierras Blancas formation had a potential gross hydrocarbon column of 75 feet. Two sidewall cores were also obtained in the Sierras Blancas formation for further study. The coring and electric log information will be used by the joint venture in planning a completion and testing program for the well. A completion rig is expected to be mobilized in three weeks to test the well and the CAN X-4 well should that well also be cased.

  The CAS X-1 well is the first well in the second stage of a multi-well drilling program ("Farm-out") on the block. The fourth and final well under the Farm-out is the CAN X-4 well to be drilled in the northern portion of the block between the CAN X-1 and CAN X-2 wells. When the second stage of the Farm-out is complete, Madalena's working interest in the block will be reduced from 52.5% to 35%.

- on the Curamhuele Block, the Curamhuele X-1001 well is currently drilling ahead at 7,470 feet after experiencing difficult drilling conditions which required a sidetrack of the well.

- on the Cortadera Block, the Corporation has received formal government approval of the previously announced farm-out of the block to Apache. The Corporation has also received approval of its application to convert the three year extension of the licence into a one year continuation of the first exploration period to be followed by a new two year exploration period. The approval resulted in an increase of the additional gross work commitment from $US 2.0 million to $US 6.0 million. Road and site construction continues and drilling is expected to commence in the second quarter of 2011.

On April 12, 2011, the Corporation provided a drilling update and announced that:

- the Curamhuele X-1001 exploration well (truncation play) has been drilled to a total depth of 8,430 feet without encountering commercial quantities of hydrocarbons and preparations are being made to plug and abandon the well.

- on the Coiron Amargo Block, drilling of the CAN X-4 well in the northern portion of the block has commenced. The well is scheduled to be drilled to a total depth of 10,800 feet.

- on the Cortadera Block, Madalena has been advised by Apache that road and site construction has been completed for the drilling of Madalena's first exploration well on the block. Drilling operations for the earning well, CorS x-1, were expected to commence by the end of April, 2011. Drilling is now expected to commence in mid to late May 2011.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Overview

Madalena is a Calgary, Alberta, Canada based international junior oil and gas exploration, development and production company. Madalena's strategy is to create value through the generation of a balanced portfolio of high quality oil and gas assets in proven hydrocarbon areas characterized by competitive fiscal terms and significant development potential.

To date, the Corporation has built a portfolio of exploration opportunities in the Neuquén Basin of Argentina. The portfolio consists of three highly prospective blocks, each comprised of a large land area on trend with known discoveries and supported by extensive 2D and 3D seismic coverage and offsetting well data.

The Neuquén Basin is a highly prolific oil and gas producing basin in Central Western Argentina. The basin has extensive pipeline and facility infrastructure and a highly developed service industry. The basin remains relatively unexplored and includes the potential for emerging unconventional resource plays.

As part of its corporate strategy, Madalena operates in the region through strategic alliances with local exploration and development companies. New opportunities are evaluated based on a number of factors including entry cost, upside potential and their ability to generate early cash flow. As the Corporation's current blocks mature, the Corporation will look to acquire new, underexplored acreage within its regional geographic area as well as evaluate other acquisition opportunities as they arise.

Foreign Operations

All of Madalena's current oil and gas operations are located in Argentina and therefore the Corporation is subject to foreign political and regulatory risk. See "*Argentina Risk Factors*".

Competitive Conditions

There is considerable competition in Argentina for land positions and the drilling equipment and expertise necessary to explore for and develop those lands. There are also other, more established companies operating in the country with access to broader technical skills, larger amounts of capital and other resources. This represents a significant risk for the Corporation, which must rely on limited resources and access to capital markets for funding of its activities. See "*Risk Factors*".

Contracts and Availability of Services

The Corporation has engaged the services of a drilling rig and related equipment for the completion of specific drilling operations. Once those operations are complete, the drilling rig and related equipment will be released and the Corporation will have no further contractual obligation to lease the equipment.

There is a high utilization rate in the country for drilling rigs and other equipment. There has also been considerable interest in Argentina's shale oil and shale gas potential which in order to be explored and developed in a timely manner will require oil and gas service companies operating in the country to develop or procure additional specialized equipment and expertise.

Marketing and Future Commitments

All oil production from the Coiron Amargo Block is currently sold on a spot basis to the domestic market. The price received for crude oil sales is calculated based on the Medanito light marker crude blend, less any quality adjustment and a discount on domestic oil sales. Produced crude oil is trucked to a treatment and storage facility where it is treated and stored until a sufficient sales volume has been reached. The discount on domestic oil sales resulted in a sale price in March 2011 of US $57.60 per barrel. See *"Industry Conditions – Pricing and Marketing"*.

On acquisition of its Argentina exploration properties, the Company and its joint venture partners agreed to work programs with the Province of Neuquen in Argentina. The Company has met its share of the amount to be spent to satisfy the total dollar value of the initial work programs and anticipates its current drilling programs on all three blocks to satisfy expenditure and work commitments associated with the extension of the blocks. .

Human Resources

The Corporation currently employs four (4) full-time employees in Canada and three (3) full-time employees in Argentina. The Corporation also utilizes the services of several professionals on a part-time contract or consulting basis. The Corporation intends to add additional professional and administrative staff as the needs arise.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The Corporation's statement of reserves data and other oil and gas information dated April 14, 2011 and effective December 31, 2010 is attached as Schedule "A" hereto and is incorporated by reference in this Annual Information Form ("**AIF**").

PRINCIPAL PROPERTIES

Argentina

Neuquén Basin, Argentina

Among the petroleum producing regions of Argentina, the Neuquén Basin is the leading producer of hydrocarbons. According to current Instituto Argentino de Petroleo y del Gas ("IAPG") statistics, average daily production exceeds 276,300 bbls/d of oil and 2.65 bcf/day of gas. The Neuquén Basin was drilled initially in the 1920's and currently has over 177 fields, of which 129 are oil fields and 48 are natural gas fields.

The Neuquén Basin is a roughly triangular shaped foreland basin of approximately 137,000 square kilometres, located on the eastern front of the Andes Mountains in west-central Argentina. The basin stretches from the town of Malargue in the north over a distance of 650 kilometres to the south and has a maximum width of over 275 kilometres. The basin is situated entirely onshore and is part of the Sub Andean trend which extends the entire length of South America. Oil and natural gas are produced from multiple horizons ranging from Jurassic carbonates and sands to Cretaceous sands.

In November of 2007, Madalena executed joint venture agreements with HIDENESA on three concessions granted by the Province of Neuquén in Argentina, South America. The three blocks, the Coiron Amargo Block, the Cortadera Block and the Curamhuele Block are located in the Neuquén producing basin in the Province of Neuquén and contain approximately 278,000 acres of exploration area.

Coiron Amargo Block

The Coiron Amargo Block covers an area of approximately 100,000 acres and is situated approximately 650 miles southwest of Buenos Aires and approximately 75 miles east of the Cortadera Block. Madalena. The first three year exploration term had a work commitment of US $5.0 million which included exploration costs, seismic and the drilling of at least one exploration well. At December 31, 2009 Madalena had substantially completed its expenditure and work commitments for the Coiron Amargo Block. In 2010, the Corporation received a three year extension of the exploration period commencing on November 9, 2010. The first extension period is a one year continuation to the existing exploration period to be followed by a new two year exploration period. There will be no requirement to relinquish non-commercial or non-prospective acreage on either block until the end of the one year continuation. The subsequent new two year exploration period for the Coiron Amargo Block will require an additional gross work commitment the equivalent of $US 3.1 million, which will include the drilling of at least one well on the block. The drilling commitment is expected to be fulfilled by the current drilling program on the block.

As a result of the completion in 2010 of the first stage of the Apco Farm-out, the Corporation's interest in the Coiron Amargo Block (excluding the Norte 2 structure) decreased from 70% to 52.5% at December 31. 2010. In 2011, Apco elected to exercise its option and enter into the second stage of the Farm-out to earn an additional working interest in the block, including the Norte 2 structure. Madalena's working interest in the block will decrease from 52.5% to 35% in the event the final two option wells are drilled. Madalena and its partners in the block are responsible for paying 100% of the costs during the exploration phase. If reserves are discovered in commercial quantities, production will be subject to a 12% royalty payable to the province of Neuquén. G&P is responsible for its 10% share of the costs incurred in the development and production phase.

The Insite Report attributes proved reserves of 1,011.3 Mboe and proved plus probable reserves of 1,793.2 Mboe to Madalena's working interests in the Coiron Amargo Block. At December 31, 2010, the majority of structural anomalies identified on seismic over the block have not been assigned proven or probable reserves. Further drilling on the block is planned prior to submission of a commercial development plan. No reserves have been assigned to the Cortadera Block or the Curamhuele Block given their early stage of development. Exploration, appraisal and development of crude oil and natural gas reserves is speculative and involves a significant degree of risk. There is no guarantee that exploration or appraisal of the Argentine blocks will lead to a commercial discovery or, if there is a discovery, that the Corporation will be able to realize such reserves. See "*Risk Factors*".

Cortadera Block

The Cortadera Block covers an area of approximately 124,000 acres and is situated along the western thrust belt of the Neuquén basin in the middle portion of the province of Neuquén, approximately 700 miles south and west of Buenos Aires. The first three year exploration term had a work commitment of $2.5 million US which included exploration costs, seismic and the drilling of at least one exploration well on the block. At December 31, 2009 Madalena had substantially completed its commitments for the block with the exception of drilling one exploration well. In 2010, the Corporation received a three year extension of the exploration period commencing on October 26, 2010. The first extension period is a one year continuation to the existing exploration period to be followed by a new two year exploration period. There will be no requirement to relinquish non-commercial or non-prospective acreage on the block until the end of the one year continuation. The extension requires an additional gross work commitment the equivalent of US$6.0 million which may be fulfilled through conducting additional seismic or the drilling of a well.

In March 2011, the Company received final government approval of a farm-out agreement for the Cortadera Block with Apache. The terms of the farm-out provide for Apache to carry Madalena's exploration commitments on the block including the drilling of at least one exploration well on the block to earn a 50% working interest in the block. Madalena will retain a 40% working interest in the block. Apache's capital commitment under the farm-out is US$6 million. The earning well, CorS x-1, is expected to commence drilling in mid to late May, 2011 and is expected to fulfill the work commitment.

Madalena and its partners in the block are responsible for paying 100% of the costs during the exploration phase. If reserves are discovered in commercial quantities, production will be subject to a 12% royalty payable to the province of Neuquén. G&P is responsible for its 10% share of the costs incurred in the development and production phase. The Insite Report does not attribute any reserves to Madalena's working interest in the Cortadera Block.

Curamhuele Block

The Curamhuele Block covers an area of approximately 56,000 acres and is situated along the east side of a north south trending fault in the middle portion of the province of Neuquén, approximately 650 miles south and west of Buenos Aires and approximately 50 miles north of the Cortadera Block. In 2010, Madalena acquired its partners 20% interest in the Curamhuele block and currently has a 90% interest in the block. The first three year exploration term had a work commitment of $3.0 million US which included exploration costs, seismic and the drilling of at least one exploration well. At December 31, 2009 Madalena had substantially completed its commitments for the block with the exception of drilling one exploration well. In 2010, the Corporation received a three year extension of the exploration period commencing on November 9, 2010. The first extension period is a one year continuation to the existing exploration period to be followed by a new two year exploration period. There will be no requirement to relinquish non-commercial or non-prospective acreage on either block until the end of the one year continuation. The subsequent new two year exploration periods for the Curamhuele Block will require an additional gross work commitment the equivalent of $US 2.0 million which will include the drilling of at least one well on the block. The drilling commitment is expected to be fulfilled by Madalena's drilling of the Curamhuele X-1001 well.

Madalena is responsible for paying 100% of the costs during the exploration phase. If reserves are discovered in commercial quantities, production will be subject to a 12% royalty payable to the province of Neuquén. G&P is responsible for its 10% share of the costs incurred in the development and production phase. The Insite Report does not attribute any reserves to Madalena's working interest in the Curamhuele Block.

Tunisia

Effective February 1, 2010, the Corporation sold its interest in the Remada Sud permit in Tunisia to Storm Ventures International Inc. for cash consideration of $4,000,000 US.

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

Insite's report on the Insite Report reserves data presented herein is attached as Schedule "B" hereto and is incorporated by reference in this AIF.

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

The report of Madalena's management and directors on the oil and gas disclosure presented herein is attached as Schedule "C" hereto and is incorporated by reference in this AIF.

DIVIDEND POLICY

The Board will determine the timing, payment and amount of future dividends, if any, that may be paid by the Corporation from time to time based upon, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other business considerations as the board of directors considers relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. As at April 28, 2011, there were 259,995,517 Common Shares issued and outstanding. In addition, as at such date, there were an aggregate of 12,455,368 Common Shares reserved for issuance upon the exercise of outstanding options to purchase common shares.

Each Common Share entitles its holder to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote at such meetings. The holders of Common Shares are, at the discretion of the Board and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the Common Shares, subject to prior satisfaction of all preferential rights attached to all shares of other classes of the Corporation ranking in priority to the Common Shares. The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among its shareholders for the purpose of winding-up its affairs, subject to prior satisfaction of all preferential rights attached to all shares of other classes of the Corporation ranking in priority to the Common Shares.

MARKET FOR SECURITIES

The Common Shares trade on the TSXV under the symbol "MVN".

The following table sets forth the price range and volume of the Common Shares as reported by the TSXV from January 1, 2010 to December 31, 2010.

Period	High ($)	Low (5)	Volume
2010			
January	0.25	0.19	7,032,922
February	0.25	0.18	8,164,107
March	0.365	0.215	15,636,143
April	0.315	0.22	6,745,302
May	0.28	0.185	9,282,378
June	0.35	0.22	10,133,906
July	0.435	0.255	10,598,536
August	0.445	0.33	12,491,695
September	0.52	0.325	14,132,848
October	0.71	0.42	34,950,859
November	0.92	0.55	44,491,701
December	0.92	0.62	19,107,400

ESCROWED SECURITIES

As of the date hereof, no Common Shares are subject to escrow.

PRIOR SALES

Date	Securities	Number of Securities	Price per Security
January 28, 2010	Options	3,600,000	$0.21[(1)]
February 1, 2010	Options	1,000,000	$0.21[(1)]
June 23, 2010	Options	25,000	$0.32[(1)]
July 21, 2010	Options	300,000	$0.32[(1)]
November 10, 2010	Common Shares[(2)]	40,775,000	$0.65
November 24, 2010	Options	375,000	$0.80[(1)]
December 21, 2010	Options	5,860,000	$0.79[(1)]
February 14, 2011	Options	600,000	$0.96[(1)]

Note:

(1) Reflects the exercise price of such Options.

(2) On November 10, 2010, Madalena closed the Offering pursuant to which it issued 40,775,000 Common Shares, including 2,310,000 Common Shares issued pursuant to the exercise in full by the Underwriters of an over-allotment option, at an issue price of $0.65 per Common Share for aggregate gross proceeds of $26,503,750.

DIRECTORS AND OFFICERS

The name and place of residence of each director and officer, the offices held by each in the Corporation, and the principal occupation of the directors and officers, the period served as director and the number of securities of the Corporation owned by such individuals as at April 28, 2011 is as follows:

Name, Address and Position	Principal Occupation for the Previous 5 Years	Director Since	Number of Common Shares
Dwayne Warkentin Alberta, Canada Director / President /Chief Executive Officer	Currently the President and Chief Executive Officer of Madalena. Prior thereto, Senior Vice President and Chief Operating Officer of Madalena from February 24, 2006 to June 4, 2010.	February 24, 2006	2,100,000
Anthony J. Potter Alberta, Canada Director /Vice President, Finance and Chief Financial Officer	Currently Vice President, Finance and Chief Financial Officer of Madalena. Prior thereto, Chief Financial Officer at Antrim Energy Inc., from 2003 to August, 2008.	June 22, 2010	50,000
Ray Smith California, USA Director /Chairman [(4)]	Currently Chairman of the Board of Madalena and President, CEO and Director of Bellatrix Exploration Ltd. Chairman of the Board of Online Energy Inc. since January 2011. Formerly Chairman of Cruiser Oil and Gas Ltd. and a Director of True Energy Trust, both public oil and gas exploration companies. Formerly Chairman and CEO of Cork Exploration Ltd., Rydal Energy, New Cache Petroleum, Corsair Energy, and Meridian Energy Corp.	October 12, 2005	4,971,500
Mike Lock Alberta, Canada Director [(4)(5)]	Currently President of Upsilon Holdings Ltd., a privately owned consulting company.	December 29, 2005	960,000[(1)(2)]
Keith Macdonald Alberta, Canada Director [(4)(5)(6)]	Currently President of Bamako Investment Management Ltd. (“Bamako”), a privately owned investment and financial advisory company.	June 22, 2010	440,000[(3)]

Name, Address and Position	Principal Occupation for the Previous 5 Years	Director Since	Number of Common Shares
Ving Woo Alberta, Canada Director (5)(6)	Currently Vice President Engineering and Chief Operating Officer at Bellatrix Exploration Ltd. Prior thereto, Vice President Operations of Bellatrix since April 2009. Formerly a Director of Cork Exploration Inc., a public oil and gas company. Formerly Vice President, Engineering for Meridian Energy Corp, from September 2002 until March 2005.	March 10, 2006	1,325,000
Jay Reid Alberta, Canada Director (4)	Currently Partner at the Calgary based law firm of Burnet, Duckworth & Palmer LLP and has practiced corporate and securities law since 1990. Director or Corporate Secretary of a number of publicly listed issues and currently serves as Corporate Secretary for the following public companies: Advantage Oil & Gas Ltd., Longview Oil Corp., Pinecrest Energy Inc., TriOil Resources Ltd., Orleans Energy Ltd. and other private issuers.	February 13, 2009	Nil
Barry B. Larson Alberta, Canada Director (6)	Currently Vice President Operations and Chief Operating Officer of Parex Resources Inc. since September, 2009. Prior thereto Vice President Operations and Chief Operating Officer of Petro Andina Resources Inc. from February 2005 to September, 2009.	July 21, 2010	Nil

Notes:

(1) Ms. Kathryn Lock, the spouse of Mike Lock, holds directly 500,000 Common Shares.
(2) Included in this total are 100,000 Common Shares held by Mr. Mike Lock in trust for one minor and three adult children.
(3) 300,000 Common Shares are held by Bamako.
(4) Member of the Corporate Governance and Compensation Committee.
(5) Member of the Audit Committee.
(6) Member of the Reserves Committee.

The directors and officers of the Corporation own, directly or indirectly, or control or exercise direction over 9,846,500 common shares, representing 3.8% of the issued and outstanding common shares.

Each director of the Corporation holds office from the time elected until the next annual meeting of the Corporation at which time they shall retire but, if qualified, shall be eligible for re-election. All officers of the Corporation, in the absence of agreement to the contrary, shall be subject to removal by resolution of the board of directors of the Corporation at any time, with or without cause.

Each of Dwayne Warkentin and Anthony Potter devote their full time and attention to the business affairs of the Corporation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, to the knowledge of the Corporation, no director or executive officer of the Corporation: (i) is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (ii) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver or receiver manager or trustee appointed to hold his assets; or (iii) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body.

To the knowledge of the Corporation, no director or officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mike Lock was Vice President of Land during the period of time that Big Bear Exploration Ltd. and Blue Range Exploration Ltd. filed for court protection pursuant to the *Companies' Creditor Arrangement Act*. The assets were sold through a court-approved plan of arrangement to Canadian Natural Resources Ltd. and the funds were distributed by the court appointed monitor PriceWaterhouseCoopers LLP to the creditors.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. See "*Directors and Officers*". Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its respective properties are subject, nor are there any such proceedings known to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the 2010 financial year, no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the 2010 financial year.

TRANSFER AGENT AND REGISTRAR

Alliance Trust Company, at its principal offices in Calgary, Alberta is the transfer agent and registrar of the Common Shares of the Corporation.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Two of the Corporation's three properties are non producing oil and gas properties. The risks associated with successfully developing such oil and gas properties are even greater than those associated with successfully continuing development of producing oil and gas properties, since the existence and extent of commercial quantities of oil and gas in unevaluated properties has not been fully established.

The long term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time, and the production there from will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions improved towards the latter portion of 2009 and in 2010, as anticipated, the recovery from the recession has been slow in various jurisdictions including in Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in high volatility in the stock market.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The prices of oil and natural gas prices may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions, in the United States, Canada and South America, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Corporation's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Project Risks

The Corporation manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;

- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Competition

The petroleum industry is competitive in all its phases. The Corporation competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "Industry Conditions". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Corporation will require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Climate Change

Argentina is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so called "greenhouse gases". There has been much public debate with respect to countries' abilities to meet these targets and the governments' strategy or alternative strategies with respect to climate change and the control of greenhouse gases. The Corporation's exploration and production facilities and other operations and activities emit greenhouse gases and require the Corporation to comply with greenhouse gas emissions legislation in Argentina. The direct or indirect costs of these regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The future implementation or modification of greenhouse gases regulations, whether to meet the limits required by the Kyoto Protocol, the Copenhagen Accord or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition. See "*Industry Conditions – Climate Change Regulation"*.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Material increases in the value of the Canadian dollar negatively impact the Corporation's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of the Corporation's reserves as determined by independent evaluators.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, which could negatively impact the market price of the Common Shares.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the present global credit uncertainty exposes the Corporation to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Corporation. Continued uncertainty in domestic and international credit markets could materially affect the Corporation's ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on the Corporation's ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Issuance of Debt

From time to time the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's oil and gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's reserves since that date.

Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Geo Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East and other areas of the world have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's net production revenue.

In addition, the Corporation's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation will not have insurance to protect against the risk from terrorism.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Management of Growth

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base.

The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Dividends

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other considerations as the board of directors of the Corporation considers relevant.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Conflicts of Interest

Certain directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have any key person insurance in effect for the Corporation. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Argentina Risk Factors

Foreign Operations

All of Madalena's oil and gas operations are located in Argentina. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes in energy policies, foreign exchange restrictions, currency fluctuations, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's activities are conducted. The Corporation's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investments.

In the event of a dispute arising in connection with its foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions. In addition, Madalena's existing joint ventures and its subsidiaries were formed pursuant to, and their operations are governed by, a number of complex legal and contractual relationships. Many of these relationships are documented in Spanish and the correct interpretation, effectiveness and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's foreign exploration, development and production activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

Economic and Political Developments in Argentina, Including Export Controls

In the past few decades, the Argentine economy has experienced some periods of extreme volatility including periods of low or negative growth and variable levels of inflation. Inflation peaked in the late 1980's — 90's and in late-2001 there was a severe fiscal crisis, which resulted in restrictions on banking, the imposition of exchange controls, the suspension of payment of Argentina's public debt and the Argentinean Peso ceased to be tied to the U.S. dollar on a one-to-one basis. This further resulted in a year-long period of contractions in economic growth, elevated inflation and a volatile exchange rate. Shortly thereafter, Argentina experienced a period of GDP growth, normalized inflation, and strengthened public finances.

There is no guarantee of economic stability, which was shown when the Argentinean economy struggled again in 2008. As is the case in many other nations, recently, inflation has been rising and government popularity has decreased, due to the economic situation and the unpopularity of some of the programs the government tried to implement to deal with the global economic crisis. For example, the government applied export controls to agricultural products, which were highly unpopular and caused demonstrations and labour strikes across the country.

The Oil and Gas Industry in Argentina

The crude oil and natural gas industry in Argentina is subject to extensive regulation including land tenure, exploration, development, production, refining, transportation, and marketing, imposed by legislation enacted by various levels of government and with respect to pricing and taxation of crude oil and natural gas by agreements among the federal and provincial governments, all of which are subject to change and could have a material impact on the Corporation's business in Argentina. The Federal Government of Argentina has implemented controls for domestic fuel prices and has placed a tax on crude oil and natural gas exports. Any future regulations that limit the amount of oil and gas that the Corporation could sell or any regulations that limit price increases in Argentina and elsewhere could severely limit the amount of the Corporation's revenue and affect its results of operations. In addition, oil and natural gas prices in Argentina are effectively regulated and as a result are substantially lower than those received in North America.

Fluctuations in Foreign Currency Exchange Rates

Crude oil sales in Argentina are denominated in US dollars but collected in Argentinean Pesos, natural gas sales are denominated in Argentinean Pesos and operating and capital costs are generally incurred in Argentinean Pesos and US dollars. Fluctuations in the US dollar, Argentinean Peso and exchange rates may cause a negative impact on revenue and costs and could have a material adverse impact on the Corporation's operations.

Effects of Inflation on Results of Operations

Compared to Canada, Argentina has experienced relatively high rates of inflation over the past few years. Since the Corporation is unable to control the market price at which it sells the crude oil it produces, it is possible that significantly higher inflation in the future in Argentina, without a concurrent devaluation of the local currency against the Canadian or US dollar or an increase in the price of crude oil, could have a material adverse effect on the Corporation's results of operations and financial condition.

INDUSTRY CONDITIONS

General

Companies operating in the oil and natural gas industry in Argentina are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining, transportation, and marketing) as a result of legislation enacted by various levels of government and with respect to the pricing and taxation of oil and natural gas through agreements among the levels of governments, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these regulations or controls will affect the Corporation's operations in a manner materially different than they will affect other oil and natural gas companies of similar size with operations in Argentina. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in Argentina.

Pricing and Marketing

Industry-wide, government-mandated wellhead price controls in Argentina were abandoned in 1989 when the oil and natural gas industry, dominated by Yacimientos Petroliferos Fiscales S.E. ("**YPF**"), was privatised. Price controls were eliminated in 1991 and prices remained unregulated until the economic crisis in late 2001. At that time, contracts for natural gas sales were converted from U.S. dollars to Argentine Pesos, concurrent with devaluation of the Argentine Peso to US$0.33. Since that time, natural gas prices for sales to consumers through local distribution companies have remained fixed and commercial sales prices are set by the market. In May 2004, a five percent export tax was imposed on gasoline and diesel, the export tax on oil was increased to 25 percent, and a 20 percent tax became effective on the export of natural gas, liquefied natural gas ("**LNG**") and other gas products. The Federal Government of Argentina has indicated flexibility with respect to natural gas price deregulation and this has resulted in improved prices at the wellhead.

In August 2004, a progressive increase in export tax was instituted in Argentina on oil with reference to the price of WTI per barrel as quoted on the New York Mercantile Exchange ("**NYMEX**"). At WTI prices greater than US$32 per barrel, a tax was applied ranging from 25 percent up to 45 percent depending on the price of WTI. An amount equivalent to the export tax was applied to domestic sales. This has had the effect of limiting the actual realized price for domestic sales of oil in Argentina. For a description of the prices and netbacks achieved by the Corporation during the year ended December 31, 2010, see *"Statement of Reserves Data and Other Oil and Gas Information - Other Oil and Gas Information - Production History"*.

On November 16, 2007 the Government of Argentina published a resolution which set out changes to the computation of Argentina's export retention factor with respect to oil. The changes to the export tax effectively limited the maximum price of oil that producers could receive for crude oil production to US$42 per barrel. Despite the price ceiling, increased domestic demand for crude oil has resulted in moderate oil price increases since 2009.*Pipeline Capacity*

Argentina's three major oil pipelines originate at Puerto Hernandez, in the Neuquén Basin. Two pipelines are domestic, transporting oil north via the Repsol-YPF operated 50,000 bopd pipeline to the Lujan de Cuyo refinery near Mendoza and east via the Oldelval pipeline system moving crude over 1,200 kilometres to Puerto Rosales on the Atlantic. The 430 kilometre, 115,000 bopd Transandino pipeline is Argentina's only international oil pipeline, climbing over the Andes to a refinery in Chile. This pipeline discontinued transportation of oil in 2006 but is capable of being recommissioned.

Downstream

Repsol-YPF accounts for approximately half of the country's 624,575 bopd total refining capacity. Other companies with significant refining capacity include Shell CAPSA Limited (110,000 bopd) and Esso Petrolera Argentina S.R.L. (84,500 bopd).

Due to increasing demand for natural gas, Argentina has been importing increased quantities of LNG through the Bahia Blanca LNG terminal located approximately 600 km southwest of Buenos Aires. A second import terminal (Puerto Escobar) is expected to come on stream in June 2011 which will more than double import capacity to 900 MMcf/d.

Relationships with Unions

Oil and gas activity in Argentina is largely unionized and drilling, completions and work over operations maybe conducted by drilling operators employing unionized personnel. The Corporation is thus exposed to union activity including strikes, shut-downs, labour negotiations and other actions outside of the Corporation's direct control, which may have a material adverse effect on the operations of the Corporation. Royalties, Turnover Taxes & Value Added Tax

Royalty determinations in Argentina are paid monthly to provincial authorities and must be submitted by field and concession. Production used by the concession holder for exploration or production operations is not subject to royalty. Royalties are deductible for income tax purposes. The standard royalty rate on production is 12 percent of the wellhead price for both oil and natural gas less deductions for transportation, treatment and commercialization costs between the wellhead and point of sale. This may be reduced on a case-by-case basis to a minimum of five percent taking into account productivity (marginal fields), condition and location of the producing wells as well as enhanced oil recovery projects. A rate of 15 percent applies to pre-commercial production from an exploration concession until such time as it is converted to an exploitation concession. In recent provincial bid rounds, companies have been given the option of bidding a higher royalty than prescribed by the national and provincial laws, but this is a voluntary decision which is applicable to the concession under bid only.

Additionally, the provinces levy a turnover tax varying between one and three percent of gross revenue less certain deductions. A value added tax ("**VAT**") at a rate of 21 percent is added on to domestic sales and is payable by the buyers of production. The VAT tax collected by the Corporation on sales is used to recover VAT paid on incurred costs. Stamp taxes are levied on transactions by way of contract at one percent to four percent depending on the jurisdiction in which the transaction takes place.

Income Taxes

A tax treaty exists between Argentina and Canada. Oil companies are subject to a generally applicable corporate tax regime. All successful exploration and field development costs, including intangible costs may be depreciated on a unit-of-production basis. Tax payers pay either income tax at a rate of 35 percent on corporate net profits or a minimum tax, based on net assets, whichever is the greater. Minimum tax was reinstated effective January 1999 and is levied on cumulative capital less accumulated depreciation plus an inflation adjustment at a rate of one percent. In April 1992, the tax base for locally incorporated companies was changed from Argentine source income to worldwide income.

Madalena is unaware of any prevailing currency restrictions with respect to repatriating after tax income from Argentina.

Oil and Gas Industry Regulations

The oil and natural gas industries in Argentina are subject to extensive regulation governing operations, including land tenure, exploration, development, production, refining, transportation and marketing, imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the federal and provincial governments, all of which are subject to change and could have a material impact on the Corporation's business, financial condition and results of operations. The Federal Government of Argentina has implemented controls for domestic fuel prices and has placed a tax on oil and natural gas exports. As a result of these constraints, it is believed that energy reinvestment has been limited and overall hydrocarbon production has declined. Any change to these government imposed restrictions could have a material impact on Madalena's business, financial condition and results of operations.

The Hydrocarbons Law 17.319, enacted in June 1967, established the basic legal framework for the current regulation of exploration and production of hydrocarbons in Argentina. The Hydrocarbons Law empowers the National Executive to establish a national policy for development of Argentina's hydrocarbon reserves, with the main purpose of satisfying domestic demand. However, on January 5, 2007, Hydrocarbon Law 26.197 was passed by the Government of Argentina ("**Ley Corta**"). This new legal framework replaces article one of the Hydrocarbons Law 17.319 and provides for the provinces to assume complete ownership, authority and administration of the oil and natural gas reserves located within their territories, including offshore areas up to 12 marine miles from the coast line. This includes all exploration, exploitation and transportation concessions. This has led to the posting of large tracts of exploration acreage in "bidding rounds" through which the lands are granted to successful bidding companies. The change of hydrocarbons administration has required producing companies to deal more extensively with the provincial governments who are now more directly involved in the day to day affairs of operations within their jurisdictions. Madalena intends to be an active participant in future bidding rounds in areas that it deems to be prospective.

Land Tenure

Exploration permits in Argentina grant exclusive rights to the concession holder to perform all types of exploration work and obtain an exploitation concession and a transportation concession after the declaration of a commercial discovery. The period under an exploration permit is divided into several phases. Work commitments are negotiated and specified separately for each individual phase of the exploration period. For the first exploration phase, commitments are expressed in work units with each activity equating to a different number of units. For the second and third exploration phases, commitments must comprise at least one well for each phase. At the end of each exploration phase, 50 percent of the remaining area must be relinquished or converted into an exploitation or evaluation concession. An evaluation concession allows a short term extension for a company to further evaluate the commercial potential of its exploration activities.

Exploitation concessions grant exclusive rights to the concession holder to produce hydrocarbons in areas of up to 250 square kilometres. The period for development and production is 25 years, although an extension of up to 10 years may be granted under terms and conditions to be established at the time of the extension. If a discovery is declared commercial before the end of the exploration period, the remaining portion of the exploration period is added on to the exploitation concession period.

Companies are permitted to hold, as operator, a maximum of five exploration permits in Argentina, but there is no limit on exploitation concessions.

At the end of 2008, the Argentinean government launched the Gas Plus and Petroleum Plus programs, new programs designed to stimulate investments in and production of natural gas and oil through providing incentives for new production of natural gas or oil, either from new discoveries, enhanced recovery techniques or reactivation of older fields. Companies must apply for the incentives. Madalena believes that future production from its blocks will be eligible to participate in the programs and intends to apply for entry into the programs when appropriate.

Environmental Regulations

The oil and natural gas industry in Argentina is currently subject to environmental regulations pursuant to a variety of legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of government authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Specifically, Argentina has environmental standards for the industry, including surface maintenance and restoration, air quality and emission standards, operational safety standards and regular environmental audits. The implementation of environmental procedures is effected increasingly at the provincial level. A number of provinces have issued regulations relating to environmental impact assessments of activities within their boundaries.

Madalena conducted a thorough baseline environmental study of its acreage at the time of the purchase of the assets and prior to commencing operations. Environmental reviews are completed and environmental permits are obtained from the provincial authorities prior to undertaking any operations.

Climate Change

Argentina ratified the Kyoto Protocol ("**Kyoto Protocol**"), which requires a reduction in greenhouse gas ("**GHG**") emissions by signatory countries between 2008 and 2012. The Kyoto Protocol officially came into force on February 16, 2005 and commits Argentina to reduce its GHG emissions levels to 6% below 1990 "business as usual" levels by 2012.

The United Nations Framework Convention on Climate Change is working towards establishing a successor to the Kyoto Protocol. From December 7 to 18, 2009, a meeting between government leaders and representatives from approximately 170 countries in Copenhagen, Denmark (the "**Copenhagen Conference**") resulted in the Copenhagen Accord, which reinforces the commitment to reducing GHG emissions contained in the Kyoto Protocol and promises funding to help developing countries mitigate and adapt to climate change. From November 29 to December 10, 2010, a meeting between representatives from approximately 190 countries in Cancun, Mexico resulted in the Cancun Agreements, in which developed countries committed to additional measures to help developing countries deal with climate change. Unlike the Kyoto Protocol, however, neither the Copenhagen Accord nor the Cancun Agreements establish binding GHG emissions reduction targets.

Legal & Political

Argentina is governed by a tripartite system of government made up of an Executive Power, a Legislative Power, and a Judicial Power established by a written Constitution passed in 1853. The Head of Government and Chief of State is a President elected by popular vote for a term of four years. The Argentine Republic comprises 23 provinces and the City of Buenos Aires. Each province has its own constitution which must state its administration of justice and municipal autonomy, and the scope and content of its institutional, political, administrative and financial orders.

Market Conditions

Overview

The oil and natural gas industry in Argentina is mature, having been established more than 100 years ago on December 13, 1907 when oil was discovered in Comodoro Rivadavia. Argentina is a significant South American energy producer and consumer and a net energy exporter, primarily to neighbouring Brazil and Chile.

The Federal Government of Argentina has implemented controls for domestic fuel prices and has placed a tax on oil and natural gas exports. As a result of market uncertainty, energy reinvestment has been limited and overall hydrocarbon production has declined.

Exploration & Production

Two onshore basins represent the vast majority of Argentina's oil production: the Neuquén Basin, located in western-central Argentina, and the Gulf of San Jorge, in the southeast part of the country. Outside the established onshore basins, there has been some limited interest in exploring offshore oil resources. The Neuquén, Salta, Tierra del Fuego, and Santa Cruz regions contain most of Argentina's natural gas production, with the Neuquén region accounting for over half of the country's total production.

Availability of Services

There is a high utilization rate in the country for drilling rigs and other equipment. Recently, there has also been considerable interest in Argentina's shale oil and shale gas potential which in order to be developed will require oil and gas service companies operating in the country to develop or procure additional specialized equipment and expertise.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors and senior officers of the Corporation, any shareholder who beneficially owns more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transactions since the beginning of the Corporation's last completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation except as described herein.

MATERIAL CONTRACTS

Except for contracts entered into by the Corporation in the ordinary course of business or otherwise disclosed herein, the Corporation has no contracts which can reasonably be regarded as material.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than Insite, the Corporation's independent engineering evaluators and KPMG LLP, the Corporation's auditors.

To the knowledge of the Corporation, Insite, or principals thereof, did not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of the Corporation's associates or affiliates either at the time they prepared the statement, report or valuation prepared by them, at any time thereafter or to be received by them.

KPMG LLP has advised the Corporation that they are independent within the meaning of the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta and its partners did not hold any registered or beneficial ownership interests, directly or indirectly, in the securities of the Corporation or its associates or affiliates.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies is, or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation, except Jay Reid, a director of the Corporation who is a partner at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to the Corporation.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's Information Circular for the most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the most recently completed financial year. Documents affecting the rights of security holders, along with other information relating to the Corporation, may be found on SEDAR at www.sedar.com

SCHEDULE A —FORM 51-101FI

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "**Statement**") is dated April 14, 2011. The effective date of the statement is December 31, 2010 and the preparation date of the statement is April 14, 2011.

Disclosure of Reserves Data and Other Information

The reserves data set forth below (the "**Reserves Data**") is based upon an evaluation by Insite of the Reserves in association with Madalena's assets and has an effective date of December 31, 2010. The Insite Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101 and the COGE Handbook. The Reserves Data summarizes the oil, liquids and natural gas reserves associated with Madalena's assets and properties and the net present values of future net revenue for these Reserves using forecast prices and costs as at December 31, 2010. The Reserves Data conforms with the requirements of NI 51-101. Madalena engaged Insite to provide evaluations of Proved Reserves and Proved plus Probable Reserves.

All evaluations of future revenue are stated after the deduction of future income tax expenses (unless otherwise noted in the tables), royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the Reserves associated with Madalena's assets and properties. There is no assurance that the forecast price and cost assumptions contained in the Insite Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are summarized in the notes to the following tables. The recovery and reserves estimates for Madalena's assets and properties described herein are estimates only and there is no guarantee that the estimated Reserves will be recovered. The actual Reserves for Madalena's assets and properties may be greater or less than those calculated.

The Report on Reserves Data by Insite (on Form 51-101F2) and the Report of Management and Directors on Oil and Gas Disclosure (on Form 51-101F3) are included in this AIF. See "*Form 51-101F2 - Report on Reserves Data by Insite*" and, "*Form 51-101F3 - Report of Management and Directors on Oil and Gas Disclosure*" attached hereto as Schedules B and C, respectively.

Summary of Oil and Gas Reserves and Net Present Values of Future Net Revenue at December 31, 2010

Forecast Prices and Costs

The following tables provide a summary, by country and in the aggregate, of the Corporation's oil and gas reserves and net present value of future net revenue at December 31, 2010 using forecast prices and costs. All of the Corporation's properties are located in Argentina. Amounts shown are in US $. On December 31, 2010, the Bank of Canada noon spot rate of exchange was 1 US $ = $0.9946.

Argentina	**Reserves[1]**					
	Light/Medium Crude Oil		**Solution Natural Gas**		**Oil Equivalent [2]**	
	Gross (Mbbl)	**Net (Mbbl)**	**Gross (MMcf)**	**Net (MMcf)**	**Gross (Mboe)**	**Net (Mboe)**
Proved						
Developed Producing	165.7	145.8	-	-	165.7	145.8
Developed Non-Producing	61.1	53.8	1,155.0	1,016.4	253.6	223.2
Undeveloped	490.9	432.0	606.8	534.0	592.0	521.0
Total Proved	717.7	631.6	1,761.7	1,550.3	1,011.3	889.9
Probable	591.3	520.4	1,143.4	1,006.2	781.9	688.1
Total Proved Plus Probable	1,309.0	1,151.9	2,905.1	2,556.5	1,793.2	1,578.0
Possible	288.0	253.4	758.1	667.1	414.3	364.6
Total Proved Plus Probable Plus Possible	1,597.0	1,405.3	3,663.2	3,223.6	2,207.5	1,942.6

Argentina (US M$)	**Net Present Values of Future Net Revenue**									
	Before Income Taxes Discounted at (%/year)					**After Income Taxes Discounted at (%/year)**				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved										
Producing	4,763.2	4,384.9	4,068.8	3,801.5	3,573.0	3,658.3	3,383.8	3,153.2	2,957.1	2,788.8
Developed Non-Producing	5,248.5	4,412.6	3,777.0	3,281.7	2,887.1	3,417.6	2,854.5	2,425.5	2,090.6	1,823.6
Undeveloped	13,768.5	10,464.0	8,112.9	6,380.8	5,067.5	8,884.3	6,462.6	4,747.7	3,492.4	2,548.2
Total Proved	23,780.1	19,261.5	15,958.7	13,463.9	11,527.6	15,960.3	12,701.0	10,326.3	8,540.1	7,160.7
Probable	21,220.6	14,462.7	10,384.8	7,758.1	5,972.7	13,668.8	8,884.9	6,023.3	4,204.4	2,988.3
Total Proved Plus Probable	45,000.7	33,724.1	26,343.5	21,222.0	17,500.3	29,629.0	21,585.9	16,349.6	12,744.5	10,149.1
Possible	13,671.8	7,492.1	4,580.9	3,048.8	2,164.4	8,888.9	4,627.0	2,663.9	1,658.7	1,096.1
Total Proved Plus Probable Plus Possible	58,672.5	41,216.2	30,924.3	24,270.9	19,664.8	38,517.9	26,212.9	19,013.5	14,403.3	11,245.1

Total Future Net Revenue (Undiscounted) at December 31, 2010

The following tables provide a summary, by country and in the aggregate, of the Corporation's total future net revenue (undiscounted) at December 31, 2010 using forecast prices and costs. All of the Corporation’s properties are located in Argentina.. Amounts shown are in US dollars. On December 31, 2010, the Bank of Canada noon spot rate of exchange was 1 US $ = $0.9946.

Argentina (US M$) **Reserves Category**	**Revenue**	**Royalties**	**Operating Costs**	**Investment Costs**	**Well Abandonment and Reclamation Costs**	**Future Net Revenue Before Income Taxes**	**Income Taxes**	**Future Net Revenue After Income Taxes**
Total Proved Reserves	50,183.2	7,006.6	11,870.5	7,109.7	416.3	23,780.1	7,819.9	15,960.3
Total Proved Plus Probable Reserves	94,168.3	13,160.7	23,600.7	11,701.6	704.6	45,000.7	15,371.7	29,629.0
Total Proved Plus Probable Plus Reserves	119,943.3	16,764.9	31,612.3	11,701.6	1,192.1	58,672.5	20,154.6	38,517.9

Future Net Revenue by Production Group at December 31, 2010

Future Net Revenue Before Income Taxes (discounted at 10%/year)

The following tables provide a summary, by country and in the aggregate, of the Corporation's future net revenue, before deducting future income tax expenses, by production group at December 31, 2010 using forecast prices and costs and calculated using a 10% discount rate. All of the Corporation’s properties are located in Argentina.. Amounts shown are in US dollars. On December 31, 2010, the Bank of Canada noon spot rate of exchange was 1 US $ = $0.9946.

<u>Argentina (US M$)</u>

Reserves Category	**Production Group**	**US M$**	**$/boe**
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	15,958.7	17.93
	Total Proved	15,958.7	17.93
Proved plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	26,343.5	16.69
	Total Proved plus Probable	26,343.5	16.69
Proved plus Probable Plus Possible Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	30,924.3	15.92
	Total Proved plus Probable Plus Possible	30,924.3	15.92

Notes to Reserves Data Tables:

1. Columns may not add due to rounding.
2. The crude oil, natural gas liquids and natural gas reserve estimates presented in the Insite Report are based on the definitions and guidelines contained in NI 51-101 and the COGE Handbook. A summary of those definitions are set forth below.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, specifically the forecast prices and costs.

Reserves are classified according to the degree of certainty associated with the estimates.

(a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(c) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

(a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

    (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

    (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserve estimates are prepared). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

(b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. in principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

3. Forecast Costs and Price Assumptions

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized by Insite in the Insite Report were Insite's forecasts, as at December 31, 2010, as follows:

Summary of Pricing and Inflation Rate Assumptions at December 31, 2010

Forecast Prices and Costs

			Argentina Domestic	
Year	**WTI @Cushing 40°API $US/bbl**	**Henry Hub Gas Price $US/MMbtu**	**Oil Price 40°API $US/bbl**	**Gas Price $US/ MMbtu**
2011	88.00	4.50	57.60	2.75
2012	90.00	5.20	58.75	2.81
2012	92.00	5.75	59.93	2.86
2014	94.00	6.25	61.13	2.92
2015	96.00	6.75	62.35	2.98
2016	97.92.	7.25	63.60	3.04
2017	99.88	7.50	64.87	3.10
2018	101.88	7.65	66.16	3.16
2019	103.91	7.80	67.49	3.22
2020	105.99	7.96	68.84	3.29
2021	108.11	8.12	70.21	3.35
2022	110.27	8.28	71.62	3.42
2023	112.48	8.45	73.05	3.49
2024	114.73	8.62	74.51	3.56
2025	117.02	8.79	76.00	3.63
2026	119.36	8.96	77.52	3.70
2027	121.75	9.14	79.07	3.78
2028	124.19	9.33	80.65	3.85

Notes:

(1) Escalation at 2% per year after 2028

(2) All costs escalate at 2% per year from 2011

(3) Argentinean gas price represents industrial contract prices received in the area. Weighted average historical prices realized by the Corporation for year ended December 31, 2010 from its Argentina oil and gas properties was $52.60/bbl for crude oil.

(4) Estimated future abandonment costs related to a working interest have been taken into account by Insite in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom, there was deducted the reasonable estimated future well abandonment costs. No allowance was made, however, for reclamation of wellsites or the abandonment of any facilities.

(5) The forecast price and cost assumptions assume the continuance of current laws and regulations.

(6) The extent and character of all factual data supplied to Insite were accepted by Insite as represented. No field inspection was conducted.

Reconciliation of Gross Reserves by Principal Product Type

The following table summarizes the changes in reserves from December 31, 2009 to December 31, 2010:

Forecast Prices and Costs

FACTORS	Light & Medium Crude Oil			Associated & Non-Associated Gas		
	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)
December 31, 2009	280.1	444.5	724.6	283.8	550.4	834.3
Production	-22.3	-	-22.3	-	-	-
Technical Revisions	-0.8	34.5	33.7	27.1	1,089.8	1,116.8
Extensions & Improved Recovery	499.7	181.9	681.6	1,360.9	-501.8	859.1
Discoveries	92.3	30.8	123.0	435.6	207.6	643.2
Acquisitions	-	-	-	-	-	-
Dispositions	-131.3	-100.3	-231.6	-345.6	-202.6	-548.3
Economic Factors	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-
December 31, 2010	717.7	591.3	1,309.0	1,761.7	1,143.4	2,905.1

Historical Undeveloped Reserves - Forecast Prices and Costs

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to the Corporation's Argentina assets for the years ended December 31, 2010, 2009 and 2008 based on forecast prices and costs.

Proved Undeveloped Reserves

Year	Light and Medium Crude Oil (Mbbl)		Solution Gas (MMcf)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
Argentina				
2008	-	-	-	-
2009	181.7	181.7	181.3	181.3
2010	295.7	432.0	368.4	534.0

Year	Light and Medium Crude Oil (Mbbl)				
	First Attributed	Adjustments	Dispositions	Developed	Cumulative at Year End
Argentina					
2008	-	-	-	-	-
2009	181.7	-	-	-	181.7
2010	295.7	-45.4	-	-	432.0

Year	Associated and Non-Associated Gas (MMcf)				
	First Attributed	Adjustments	Dispositions	Developed	Cumulative at Year End
Argentina					
2008	-	-	-	-	-
2009	181.3	-	-	-	181.3
2010	368.4	-15.7	-	-	534.0

Probable Undeveloped Reserves

Year	Light and Medium Crude Oil (Mbbl)		Solution Gas (MMcf)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
Argentina				
2008	-	-	-	-
2009	326.5	326.5	397.1	397.1
2010	170.9	341.8	213.5	438.5

Year	Light and Medium Crude Oil (Mbbls)				
	First Attributed	Adjustments	Dispositions	Developed	Cumulative at Year End
Argentina					
2008	-	-	-	-	-
2009	326.5	-	-	-	326.5
2010	170.9	-81.6	-	-74.0	341.8

Year	Associated and Non-Associated Gas (MMcf)				
	First Attributed	Adjustments	Dispositions	Developed	Cumulative at Year End
Argentina					
2008	-	-	-	-	-
2009	397.1	-	-	-	397.1
2010	213.5	-99.3	-	-72.8	438.5

Proved Undeveloped Reserves

The Corporation generally attributes proved undeveloped reserves to wells which are budgeted and scheduled to be drilled in the near future and are located between existing wells such that there is a high degree of certainty that the reservoir is present and producible in these locations.

Probable Undeveloped Reserves

Probable undeveloped reserves are, for the most part, attributed to step-out drilling locations, re-completion and tie-ins that are anticipated to proceed in the near term but do not meet the required confidence factor to be booked as proved.

Significant Factors or Uncertainties

The process of evaluating reserves is inherently complex. It requires judgment and making decisions based on available geological, geophysical, engineering and economic data. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, geological evaluation, engineering data, prices and economic conditions. The Reserves associated with the Madalena assets have been evaluated by Insite, an independent engineering firm. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the Reserves.

As circumstances change and additional data becomes available, Reserves estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Revisions to Reserves estimates can arise from changes in, among other things, year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative. See "*Risk Factors*".

The Corporation does not anticipate any unusually high development costs or operating costs, the need to build a major pipeline or other major facility before production of reserves can begin, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could he realized but for those contractual obligations.

Future Development Costs

The following table outlines the forecast for future development costs associated with Madalena assets and properties for the reserves categories noted below, calculated on an undiscounted and a discounted (10%) basis:

Future Development Costs (US M$)
Forecast Prices and Costs

	Argentina		
Year	**Proved Reserves**	**Proved Plus Probable Reserves**	**Proved Plus Probable Plus Possible Reserves**
2011	4,572.75	4,572.75	4,572.75
2012	2,536.93	7,128.84	7,128.84
2013	-	-	-
Total (Undiscounted)	7,109.68	11,701.59	11,701.59
Total (Discounted at 10%)	6,522.35	10,543.26	10,541.69

Future development costs are capital expenditures which will be required in the future for Madalena to convert Proved Undeveloped Reserves and Probable Reserves to Proved Developed Producing Reserves.

Madalena intends to use existing working capital, internally generated cash flow from operations, debt (if available on favourable terms), new equity issues (if available on favourable terms), and farm outs or similar arrangements to finance its capital expenditure program. The cost of funding could negatively affect disclosed reserves or future net revenue depending on the source and nature of the funding but the impact can not readily he determined at this time. See "*Risk Factors*".

Other Oil and Gas Information

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which Madalena has a working interest and which are producing or which Madalena considers to be capable of production as at December 31, 2010:

	Producing Wells				Shut-in Wells (1)(2)			
	Oil		Natural Gas		Oil		Natural Gas	
Location	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Argentina	3	1.75	-	-	-	-	-	-
Total	3	1.75	-	-	-	-	-	-

Notes:

(1) "**Shut-in**" wells refers to wells that have encountered, and are capable of producing, crude oil or natural gas but which are not producing due to the timing of the well completion and/or tie in which is anticipated to occur in 2011.

(2) All non-producing oil and natural gas wells are located near existing infrastructure.

Properties With No Attributed Reserves

The following table sets forth Madalena's undeveloped land position as at December 31, 2010:

	Gross		Net	
Location	**Acres**	**Sections**	**Acres**	**Sections**
Argentina, South America	279,642	437	214,207	335

Effective February, 2010, the Corporation sold its interest In the Remada Sud Permit in Tunisia. In Argentina, the Corporation agreed to work commitments on the Cortadera Block, the Curamhuele Block and the Coiron Amargo Block. At December 31, 2010, the Corporation estimates that its share of the work commitments on the Coiron Amargo and Curamhuele Blocks were met by drilling programs undertaken in the year. The gross work commitment for the Cortadera Block is US $2 million which the Corporation expects to be fulfilled by the drilling of the A.E.A Nq. CorS x-1 earning well in the second quarter of 2011.

Forward Contracts and Marketing

The Corporation does not have any forward contracts or hedges currently in place.

Additional Information Concerning Abandonment Costs

Madalena estimates well abandonment costs on an area-by-area basis using historical costs and supplemented by current industry costs and changes in regulatory requirements. Estimated costs of abandonment were included in the Insite Report as a deduction in determining future net revenue. The total estimated abandonment costs in respect of proved reserves using forecast prices is US M$416.32 undiscounted (US M$141.63 using a 10% discount rate) for Argentina. 100% of such amounts were deducted as abandonment costs in estimating future get revenue of the Corporation in respect of proved reserves as disclosed above. No allowance for salvage value was included in these costs. The table below indicates the expected timing of well abandonment costs for the Corporation.

The Corporation uses industry historical costs to estimate its abandonment costs when available. The costs are estimated on an area-by-area basis. The industry's historical costs are used when available. If representative comparisons are not readily available, an estimate is prepared based on the various regulatory abandonment requirements. The Corporation has 5 gross (3.75 net) wells in Argentina, for which it expects to incur abandonment costs.

The following table sets forth abandonment costs deducted in the estimation of the Corporation's future net revenue:

Forecast Prices and Costs	**Argentina Abandonment Costs (Undiscounted) US M$**	
Year	**Total Proved**	**Total Proved Plus Probable**
2017	78.83	
2019	61.51	82.02
2022	65.28	
2024	67.91	67.91
2025	69.27	
2027	-	72.07
2028	73.51	-
2031	-	234.04
2032	-	106.09
2033	-	27.05
2034	-	27.59
2037	-	87.85
Total Undiscounted	416.32	704.63
Total Discounted @ 10%	141.63	130.18

Tax Horizon

Depending on levels of production, commodity prices, acquisitions and capital expenditures, Madalena will not begin paying current income taxes in the foreseeable future.

Costs Incurred

The following table summarizes capital expenditures (net of asset retirement costs and office equipment) related to the Corporation's activities for the year ended December 31, 2010 in thousands of CDN dollars:

	Argentina	**Tunisia**	**Total**
Property acquisition costs:			
Proved Properties	-	-	-
Undeveloped Properties	956.3	-	956.3
Exploration costs	6,500.4	-287.4	6,213.0
Development costs	-	-	-
Total	7,456.7	-287.4	7,169.3

Exploration and Development Activities

The Corporation drilled in Argentina in 2010 the CAN X-3 and CAN X-1 wells on the Coiron Amargo Block and commenced drilling of the Curamhuele X-1001 well on the Curamhuele Block. See "*Principal Properties*" for a description of the Corporation's exploration and development activities and plans.

Production Estimates

The following table sets out the volume of the Corporation's gross working interest production estimated for the year ended December 31, 2011 as evaluated by Insite which is reflected in the estimate of future net revenue disclosed in the tables contained under "Disclosure of Reserves Data and Other Information".

Total Proved

	Light and Medium Oil ***(MBbl)***	**Natural Gas** ***(MMcf)***	**Natural Gas Liquids** ***(MBbls)***	**BOE** ***(Mboe)***
Total Proved	53.0	111.2	-	71.53
Total Proved Plus Probable	53.1	111.8	-	71.73
Total Proved Plus Probable Plus Possible	53.4	112.1	-	72.08

Production History

The following tables summarize certain information from the Corporation's Argentina fields in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	Quarter Ended			
	2010			
	Dec. 31	**Sept. 30**	**June 30**	**Mar. 31**
Average Daily Production [1]				
Light and Medium Crude Oil (Bbls/d)	105	-	-	-
Gas (Mcf/d)	-	-	-	-
NGLs (Bbls/d)	-	-	-	-
Combined (Bbls/d)	105	-	-	-
Average Price Received				
Light and Medium Crude Oil ($/Bbl)	54.34	-	-	-
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	54.34	-	-	-
Royalties Paid				
Light and Medium Crude Oil ($/Bbls)	9.61	-	-	-
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	9.61	-	-	-
Operating & Transportation Expenses ($/Boe)				
Light and Medium Crude Oil ($/Bbls)	21.14	-	-	-
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	21.14	-	-	-
Netback Received ($/Boe) [2]				
Light and Medium Crude Oil ($/Bbls)	23.59	-	-	-
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	23.59	-	-	-

Notes:

(1) Before deduction of royalties.
(2) Netbacks are calculated by subtracting royalties and operating costs from revenues.

The Corporation's production for the year ended December 31, 2010 was 0% natural gas and natural gas liquids and 100% light and medium crude oil.

On acquisition of the Argentina exploration properties the Corporation and its joint venture partners agreed to work programs with the Province of Neuquén in Argentina. At December 31, 2010, the Corporation estimates that its share of the work commitments on the Coiron Amargo and Curamhuele Blocks were met by drilling programs undertaken in the year. The gross work commitment for the Cortadera Block is US $2 million which the Corporation expects to be fulfilled by the drilling of the A.E.A Nq. CorS x-1 earning well in the second quarter of 2011. If the required work programs are not completed by the end of their respective licence periods, the Corporation could forfeit its right to the non-producing portions of the exploration blocks.

For the twelve months ended December 31, 2010, approximately 69% of the Corporation's gross revenue was derived from petroleum and natural gas production.

SCHEDULE "B"

FORM 51-101F2
Report on Reserves Data
By Independent Qualified Reserves Evaluator or Auditor

To the Board of Directors of Madalena Ventures Inc. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2010, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue ($ thousands US - before income taxes, 10% discount rate)[1]			
			Audited	Evaluated	Reviewed	Total
Insite Petroleum Consultants Ltd.	Madalena Ventures Inc. Coiron Amargo Block in Argentina as at December 31, 2010 and prepared April 14, 2011	Argentina	Nil	$26,343.5	Nil	$26,343.5

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

[1] This amount should be the amount disclosed by the occurring after *reporting issuer* in its statement of *reserves data* filed under item 1 of section 2.1 of *NI 51-101*, as its *future net revenue* (before deducting *future income tax expenses*) attributable to *proved* plus *probable reserves,* estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent (required by section 2 of Item 2.1 of *Form 51-101F1*). The values represented are shown in U.S. dollars.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Insite Petroleum Consultants Ltd.
Calgary, Alberta

Execution Date: April 14, 2011

(signed) *"Ron Bojechko"*

Ron Bojechko, P.Eng.
Managing Director

SCHEDULE "C"

FORM 51-101 F3
REPORT OF MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION

Management of Madalena Ventures Inc. (the "**Corporation**") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with the securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has:

- reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has on the recommendation of the Reserves Committee approved:

- the content and filing with securities regulatory authorities of Form 51-101F1 containing the reserves data and other oil and gas information;
- the filing of Form 51-102F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, our variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Dated at Calgary, Alberta, this 28th day of April, 2011

(signed) *"Dwayne Warkentin"*	(signed) *"Ving Y. Woo"*
Dwayne Warkentin, President & Chief Executive Officer and Director	Ving Y. Woo Director and Chairman of the Reserves Committee
(signed) *"Anthony J. Potter"*	(signed) *"Raymond G. Smith"*
Anthony J. Potter Vice-President, Finance and Director	Raymond G. Smith, Director and Chairman of the Board of Directors