Madalena Ventures Inc.

Annual Information Form

Year Ended December 31, 2011

April 24, 2012

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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

AECO	EnCana Corp.'s natural gas storage facility located at Suffield, Alberta
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

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

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, industry conditions in Argentina 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. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

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, 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 and 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 Company 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 Company 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 Company dated April 24, 2012;

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

"**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;

"**Company**" or "**Madalena**" means Madalena Ventures Inc., a corporation existing 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 Company's interest in production and reserves, its "Company gross reserves", which are the Company's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Company;

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

(c) in relation to properties, the total area of properties in which the Company 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 17, 2012 evaluating the crude oil, natural gas liquids and natural gas reserves of the Company as at December 31, 2011;

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

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

"**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 Company's interest in production and reserves, the Company's interest (operating and non-operating) share after deduction of royalties obligations, plus the Company's royalty interest in production or reserves;

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

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

"**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 *Company 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., to form Madalena Ventures Inc.

On August 22, 2006 the Company 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 oil and gas exploration business. The Company 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 Company's principal office is located at 200, 441 - 5th Avenue S.W., Calgary, Alberta, T2P 2V1, and the Company's registered office is located at Suite 2400, 525 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

Inter-corporate Relationships

The Company owns 100% of the outstanding common shares of MVIHC which in turn owns 100% of the outstanding common shares of MVII. Both of these companies are incorporated under the laws of Barbados. MVIHC is a holding company. Prior to the sale of the Company’s Tunisian assets on February 1, 2010, all of the Company’s activities in Tunisia were conducted through MVII. Madalena owns 90% and MVII owns 10% of the outstanding shares of MVA, respectively. Madalena carries on all of its exploration and development activities in Argentina through MVA.

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 Company, through MVA, has exploration and production operations in Argentina. The following is a summary of the business operations of the Company and its subsidiaries over the last three completed financial years.

Three Year History

2009

Corporate Matters

In February 2009, the Company appointed Mr. Jay Reid to the Board of Directors. On July 30, 2009, Mr. James K. Wilson resigned from the Board of Directors.

On December 30, 2009, the Company completed a financing by way of short form prospectus, issuing 66,667,000 units ("**Units**") of the Company 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 Company 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

In February 2009, Madalena drilled and cased the CAN X-2 vertical well to a total depth of 11,001 feet. The well identified two separate formations with hydrocarbon potential. The Sierras Blancas formation was subsequently perforated and tested and at the end of initial 48-hour period the well stabilized at a rate of approximately 400 bopd with an oil gravity of 38°API. The CAN X-2 well was the first well drilled by Madalena into a new Sierras Blancas oil pool discovery on the Coiron Amargo Block. The second potential zone in the well bore, the Vaca Muerta formation, was subsequently tested yielding no hydrocarbon inflows after initial perforation and acid stimulation. Madalena elected not to fracture stimulate the Vaca Muerta formation but results indicated that there may be future potential on the Coiron Amargo Block for future Vaca Muerta exploration and development.

In November 2009, the Company entered into a two stage, multi-well drilling program (the "**Farmout**") with Apco Oil & Gas International Inc., Sucursal Argentina ("**Apco**" or "**Farmee**") to drill a minimum of two exploration wells on the Farmout lands to earn 25% (net 17.5%) of Madalena's current 70% net working interest in the Farmout (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 70% net working interest in the Coiron Amargo Block. If cumulative investments under the Farmout exceeded US$18.4 million (including VAT), the Farmee would automatically earn 50% (net 35%) of Madalena's 70% net working interest in the Coiron Amargo Block and each working interest owner would be responsible for subsequent costs based on their participating interest.

The Curamhuele and Cortadera Blocks

In 2009, the Company 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 appeared similar in nature to structures which had been successfully drilled and developed by other operators on the Filo Morado and El Porton fields to the north.

Tunisian Operations

Remada Sud Block

In March 2009, Storm Ventures International Inc. ("**Storm**") received approval from the Tunisian national oil company ("**ETAP**") to conduct a long term production test on a certain well on Madalena's Tunisian properties and in April, 2009, MVII announced that after a successful work over, the well was producing approximately 230 bopd of 43° API oil at a well head pressure of 100 psi with a water cut averaging 2%.

Work on a formal plan for the phased development of the concession continued during the year and MVII agreed to participate in two 3D seismic exploration programs to further delineate structures on the Remada Sud property.

2010

Corporate Matters

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

On June 4, 2010, the Company promoted Mr. Dwayne Warkentin to the office of President and Chief Executive Officer of the Company. 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 Company effective June 4, 2010.

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 Company to join the Board of Directors.

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

On November 10, 2010, the Company completed a bought deal financing by way of short form prospectus, issuing 40,775,000 Common Shares at an issue price of $0.65 per Common Share, resulting in aggregate gross proceeds of approximately $26,503,750.

Argentine Operations

The Coiron Amargo Block

In February 2010, the Company announced it had finalized formal documentation with Apco and had received all required approvals to enter into the Farmout.

In May 2010, the Company 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 was a one year continuation to the existing exploration period to be followed by a new two year exploration period. There was no requirement to relinquish non-commercial or non-prospective acreage on the Coiron Amargo Block until the end of the one year continuation. The subsequent new two year exploration period for the Coiron Amargo Block required additional gross work commitments equal to $US 3.1 million which includes the drilling of at least one well on the Coiron Amargo Block.

In August 2010, Madalena drilled and cased the CAN X-3 exploratory well as a potential oil discovery. The CAN X-3 exploration well was drilled to total depth of 10,590 feet and 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 the Vaca Muerta shale formation.

In October 2010, the bottom 23 feet 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 indicated that the lower water zone was still in partial communication with the perforated interval averaging 190 boepd with a 20% water cut on clean-up. In November 2010 Madalena drilled the CAN X-1 exploration well to a total depth of 10,930 feet encountering 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 Mcf/d of gas at flow pressures between 445 - 1,000 psi wellhead pressure yielding total flow test rates of 850 - 1,851 boepd. The Company completed testing operations and placed the well on production.

The Curamhuele Block

In May 2010, the Company 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 was a one year continuation to the existing exploration period to be followed by a new two year exploration period. There was no requirement to relinquish non-commercial or non-prospective acreage on the Curamhuele Block until the end of the one year continuation. The subsequent new two year exploration period for the Curamhuele Block required gross additional work commitments in the amount of $US 2.0 million, which included the drilling of at least one well on the Curamhuele Block.

In October 2010, Madalena commenced drilling the Curamhuele X-1001 exploratory well. In December, 2010 Madalena temporarily suspended the well 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 intended to re-enter the well and continue to the objective formations early in 2011 utilizing specialized equipment that was not then available.

The Cortadera Block

In May 2010, the Company successfully completed negotiations for the extension of the term of the exploration period on the Cortadera Block. The Company received a second three year 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 was no requirement to relinquish non-commercial or non-prospective acreage on the Cortadera Block until the end of the one year continuation. The new three year exploration period required an additional gross work commitment in the amount of $US6.0 million which may be fulfilled through conducting additional seismic or the drilling of a well.

In October 2010, the Company announced, subject to final government approval, a farmout of the Cortadera Block to Apache Energia Argentina S.R.L. ("**Apache**"). The terms of the farmout provided for Apache to carry Madalena's exploration commitments on the Cortadera Block including the drilling of at least one exploration well to earn a 50% working interest in the Cortadera Block. Apache's minimum capital commitment under the farmout was US$6 million. When the farmout was completed, Madalena would retain a 40% working interest in the Cortadera Block.

Tunisian Operations

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

2011

Corporate Matters

On February 17, 2011, Madalena announced that in preparation for future drilling operations and growth in Argentina, Madalena appointed Mr. Ruy Riavitz as Operations Manager – Neuquén.

On October 26, 2011, Madalena commented on changes in Argentina requiring oil, gas and mining exporters to repatriate all of their export revenue. Madalena's view is that the new regulations are intended to bring export revenue back into the banking system, build reserves and allow greater control over foreign exchange rates. These changes are not expected to have a significant impact on Madalena as it has no existing arrangements or plans to export production, plans for the foreseeable future to re-invest any cash flow from operations back into the country and does not expect the changes to impact MVA’s ability to make dividend payments from after tax earnings.

Argentine Operations

The Coiron Amargo Block

In April 2011, Madalena drilled and cased the CAS X-1 exploration well in the southern portion of the Coiron Amargo Block as a potential hydrocarbon discovery. The well was drilled approximately 16 km south of the CAN X-1 exploration well drilled in the northern portion of the Coiron Amargo Block in September, 2010. The CAS X-1 well was drilled to a total depth of 11,840 feet and cased to 11,040 feet in the Sierras Blancas formation. 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 was similar to the Vaca Muerta formation encountered in the previous three wells drilled on the northern portion of the Coiron Amargo Block. In addition, Madalena 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 and two sidewall cores were obtained in the formation for further study. In June 2011, after the completion of several remedial cement jobs, the CAS X-1 well tested oil up to 150 bbls/d from the Sierras Blancas formation unstimulated. In July 2011, flow and pressure data was collected from the lower portion of the formation with the well flowing at approximately 40 bopd of 32° API crude oil without any fracture stimulation treatment.

In May 2011, Madalena drilled and cased the CAN X-4 exploration well as a potential oil discovery. The CAN X-4 exploration well was drilled and cased to a total depth of 11,027 feet. Both oil and gas shows were evident during the drilling of the Vaca Muerta and Sierras Blancas formations. The Vaca Muerta formation interval encountered by the well was 456 feet thick and based on electric logs, the Vaca Muerta formation had similar thickness and characteristics to the other four wells the Company had drilled on the Coiron Amargo Block. In the Sierras Blancas formation, the well encountered a potential gross hydrocarbon column of 92 feet.

In December 2011, Madalena commenced a three stage hydraulic fracture stimulation of the Vaca Muerta formation on the CAS X-1 well location and commenced drilling the CAS X-4 exploration well located approximately nine kilometres south east of the CAS X-1 discovery well. In the northern portion of the Coiron Amargo Block, installation of a central facility and gas pipeline was also underway which, when completed, would remove restrictions to flow rates from four producing Sierras Blancas wells in the area.

The Curamhuele Block

In February 2011, Madalena recommenced drilling of the Curamhuele X-1001 exploration well and began site preparation work to drill the Yapai X-1001 thrust play well situated 5 km to the south west of Curamhuele X¬1001.

In April 2011, Madalena drilled the Curamhuele X-1001 well to a total depth of 8,430 feet without encountering commercial quantities of hydrocarbons and subsequently abandoned the well.

In June 2011, Madalena completed drilling the Yapai X-1001 well to a total measured depth of 10,743 feet (10,478 feet true vertical depth) penetrating the Lower Troncoso, Avile and Agrio formations. The Avile and Agrio formations were perforated and swab tested in three stages between 7,782 feet and 10,620 feet measured depth. Light gravity crude oil was recovered from each test as well as natural gas without any measurable formation water indicating a trapped hydrocarbon system. A fracture stimulation program is being designed in order to fully test and evaluate these formations. The well may also be re-entered at a later date and deepened to the Mulichinco and Vaca Muerta shale formation.

The Cortadera Block

In April 2011, Madalena received formal government approval of the previously announced farmout of the Cortadera Block to Apache. The Company also received approval of its application to convert the three year extension of the license into a one year continuation of the first exploration period to be followed by a new two year exploration period.

In September 2011, the CorS X-1 exploration well was drilled with joint venture partner and operator Apache to a total depth ("**TD**") of 14,760 feet. Based on electric logs in conjunction with select full diameter and side wall cores, the well encountered a gross thickness of 2,323 feet in the Vaca Muerta shale formation, 2,024 feet in the Quintuco formation overlying the Vaca Muerta formation and 676 feet in the Mulichinco formation. Additional rotary sidewall cores were obtained for analysis in the Agrio formation overlying the Mulichinco formation.

Recent Developments

Argentine Operations

Coiron Amargo Block

In February 2012, the Company commenced production testing the CAS X-1 well from the Vaca Muerta formation. Over a 48 hour period, the well flowed 314 boe/d of 32 - 33° API light crude oil on a restricted 2 mm (1/12 inch) choke at flowing pressures of 2,500 psi and above. The Company continues to test the well. In February 2012, the Company completed drilling and cased the CAS X-4 exploration well as a potential oil discovery. The CAS X-4 exploration well was drilled to a total depth of 12,100 feet and cased to total depth. Both oil and gas shows were evident during drilling of the 440 foot thick Vaca Muerta formation and a full diameter core was taken through most of the interval which will be used to optimize future wells in the Vaca Muerta formation. A hydraulic fracture stimulation program for the formation will be prepared after laboratory analysis of the core is completed. In March 2012, the CAS X-2 vertical exploration well in the center of the Coiron Amargo Block was drilled and cased as a potential oil discovery. The well was drilled and cased to a TD of 11,522 feet. In the Sierras Blancas formation the well encountered a potential gross hydrocarbon column of 70 feet. The Vaca Muerta formation interval was found to be 433 feet (132m) thick.

In March 2012 an application by the Coiron Amargo joint venture to convert the northern 108 km^2 of the 404 km^2 Coiron Amargo Block to a 25 year exploitation concession was approved by the Province of Neuquén. In addition, the exploration period for the remainder of the Coiron Amargo Block was extended to November 8, 2013. The extension of the Coiron Amargo Block will require additional work commitments of US$33.5 million (Madalena share – US$11.7 million). The Coiron Amargo Block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

Cortadera Block

In March 2012, Apache completed a two stage hydraulic fracture stimulation of the Vaca Muerta formation in the CorS X-1 vertical exploration well drilled on the Cortadera Block in September 2011. A total of 610,000 pounds of high strength sintered bauxite was utilized in the stimulation treatment. The testing program is now under way for the Vaca Muerta formation. Further work to assess additional uphole formations (Quintuco, Mulichinco, and Agrio zones) is expected to be carried out following the Vaca Muerta test.

Curamhuele Block

The Company is continuing preparations to complete a hydraulic fracture stimulation in the over pressured Lower Agrio shale formation. The Lower Agrio shales on the Curamhuele Block are believed to be prospective for oil based on outcrop work and tests of light oil from three existing wells in the Agrio formation. The planned operation would be the first hydraulic fracture stimulation of the Lower Agrio shale in the Neuquén Basin. In addition, detailed geochemical work is being carried out on the Vaca Muerta outcrops west of the Curamhuele Block which will assist in defining the optimal position for a well on the Curamhuele Block in the Vaca Muerta formation.

In March 2012, the exploration period for the Curamhuele Block was extended to November 8, 2013. The extension of the Curamhuele Block will require additional work commitments of US$17.6 million (Madalena share – US$17.6 million). The Curamhuele Block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

Initial Exploration Period Expiries and Negotiations For Extensions

The initial exploration period on the Cortadera Block expired on October 26, 2011. The Company and its joint venture partner have agreed on a work plan with G&P and is currently in discussion with provincial authorities to formalize the extension of the initial exploration period. See "*Risk Factors – Argentina Risk Factors*".

Bought Deal Financing

On March 7, 2012, the Company completed a bought deal financing by way of short form prospectus, issuing 54,000,000 Common Shares at an issue price of $1.25 per Common Share, resulting in aggregate gross proceeds of $67,500,000.

Shareholder Rights Plan

On April 24, 2012, the Company adopted a shareholder rights plan (the "**Rights Plan**") for which shareholder approval will be sought at the Company's annual and special meeting of shareholders to be held on June 14, 2012. The Rights Plan is designed to provide shareholders and the Board with adequate time to consider and evaluate any unsolicited bid made for the Company, to provide the Board with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid, to encourage the fair treatment of shareholders in connection with any take-over bid for the Company and to ensure that any proposed transaction is in the best interests of the shareholders of the Company.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Overview

General

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 portfolio of high quality oil and gas assets in proven hydrocarbon areas characterized by competitive fiscal terms and significant development potential.

To date, the Company 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 Company's current blocks mature, the Company will look to acquire new, underexplored acreage within its regional geographic area as well as evaluate other acquisition opportunities as they arise.

Madalena Ventures International Holding Company Inc.

MVIHC was incorporated on December 14, 2007 under the *Companies Act* of Barbados. MVIHC does not own any operating oil and gas assets and was incorporated for the sole purpose of incorporating a subsidiary under the laws of Barbados, being MVII. MVIHC also facilitates future capitalization of its subsidiary, MVII.

Madalena Ventures International Inc.

MVII was incorporated on December 14, 2007 under the *Companies Act of Barbados* for the purposes of carrying on oil and natural gas exploration and development activities in Tunisia and other countries.

Madalena Austral S.A.

MVA was incorporated in the Province of Rio Negro on December 17, 2008 under the national Company Act (Law number 19.550) for the purpose of oil and natural gas exploration and development activities in Argentina.

Foreign Operations

All of Madalena's current oil and gas operations are located in Argentina and therefore the Company is subject to foreign political and regulatory risk. See "*Risk Factors – 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 Company, 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 Company engages the services of drilling rigs and related equipment for the completion of specific drilling operations. Once those operations are complete, the drilling rig and related equipment are released and the Company has 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 an average sale price in 2011 of US $60.58 per barrel. See *"Industry Conditions – Pricing and Marketing"*.

On acquisition of its Argentina exploration properties, Madalena and its joint venture partners agreed to work programs with the Province of Neuquén 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 and proposed drilling programs will satisfy expenditure and work commitments associated with the extension of the blocks. See "*General Development of the Business – Recent Developments*".

Social or Environmental Policies

The Company's main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. The Company's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. The Company is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. The Company also performs a detailed due diligence review as part of its acquisition process to determine whether the assets to be acquired are in regulatory and environmental compliance.

The Company expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. In 2011, expenditures for normal compliance with environmental regulations as well as expenditures beyond normal compliance were not material.

Management is responsible for reviewing the Company's Environment, Health and Safety ("**EH&S**") strategies and policies, including the Company's emergency response plan. Management reports to the Board of Directors as necessary and on an annual basis with respect to EH&S matters, including: (i) compliance with all applicable laws, regulations policies with respect to EH&S; (ii) on emerging trends, issues and regulations that are relevant to the Company; (iii) the findings of any significant report by regulatory agencies, external health, safety and environmental consultants or auditors concerning performance in EH&S; (iv) any necessary corrective measures taken to address issues and risks with regards to the Company's performance in the areas of EH&S that have been identified by management, external auditors or by regulatory agencies; (v) the results of any review with management, outside accountants, external consultants and/or legal advisors of the implications of major corporate undertakings such as the acquisition or expansion of facilities or ongoing drilling and testing operations, or decommissioning of facilities; and (vi) all incidents and near misses with respect to the Company's operations, including corrective actions taken as a result thereof.

Human Resources

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

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The Company's statement of reserves data and other oil and gas information dated April 17, 2012 and effective December 31, 2011 is attached as Schedule "A" hereto and is incorporated by reference in this AIF.

PRINCIPAL PROPERTIES

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 250,000 bbls/d of oil and 2.4 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. 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. In 2010, the Company received an extension of the first exploration period to November 8, 2011 followed by a new two year exploration period. The extension required in the new two year exploration period an additional gross work commitment the equivalent of US$3.1 million, which included the drilling of at least one well on the Coiron Amargo Block.

In 2010 and 2011 Apco drilled the earning wells specified in the Apco Farmout fulfilling the Coiron Amargo Block's work commitment and reducing the Company's interest in the Coiron Amargo Block from 70% to 52.5% and from 52.5% to 35% at December 31, 2011 and July 31, 2011, respectively.

Unless renegotiated, there was a requirement at the end of the first exploration period to relinquish 50% of the Coiron Amargo Block. In March 2012 an application by the Coiron Amargo joint venture to convert the northern 108 km^2 of the 404 km^2 block to a 25 year exploitation concession was approved by the Province of Neuquén. In addition, the exploration period for the remainder of the Coiron Amargo Block was extended to November 8, 2013. The extension of the Coiron Amargo Block will require additional work commitments of US$33.5 million (Madalena share – US$11.7 million). The Coiron Amargo Block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

Madalena and its partners in the Coiron Amargo 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 873.6 MBOE and proved plus probable reserves of 1,564.9 MBOE to Madalena's working interests in the Coiron Amargo Block. At December 31, 2011, the majority of structural anomalies identified on seismic over the Coiron Amargo Block have not been assigned proved or probable reserves. Further drilling on the Coiron Amargo Block is planned prior to submission of another commercial development plan seeking to convert additional acreage to a 25 year exploitation concession. 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 Company 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 Cortadera Block. In 2010, the Company received an extension of the first exploration period to October 25, 2011 followed by a new two year exploration period. The extension required an additional gross work commitment the equivalent of US$6.0 million which could be fulfilled through conducting additional seismic or the drilling of a well.

In March 2011, Madalena received final government approval of a farm-out agreement for the Cortadera Block with Apache. The farm-out agreement provided for Apache to carry Madalena's exploration commitments on the Cortadera Block including the drilling of at least one exploration well to earn a 50% working interest in the Cortadera Block. In September 2011, Apache drilled the CorS X-1 earning well fulfilling the Cortadera Block's work commitment and reducing Madalena's interest in the Cortadera Block from 90% to 40%.

Unless renegotiated, there is a requirement at the end of the first exploration period to relinquish 50% of the Cortadera Block. The Company and its joint venture partner have agreed to a work plan with G&P and is currently in discussion with provincial authorities to formalize the extension of the initial exploration period.

Madalena and its partners in the Cortadera 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 Curamhuele Block. The first three year exploration term had a work commitment of US$3.0 million which included exploration costs, seismic and the drilling of at least one exploration well. In 2010, the Company received an extension of the first exploration period to November 8, 2011 followed by a new two year exploration period. The extension required an additional gross work commitment the equivalent of US$2.0 million which included the drilling of at least one well on the Curamhuele Block. In 2011 Madalena drilled the Curamhuele X-1001 and Yapai X-1001 wells fulfilling the Curamhuele Block's work commitments.

Unless renegotiated, there was a requirement at the end of the first exploration period to relinquish 50% of the Curamhuele Block. In March 2012, the exploration period for the Curamhuele Block was extended to November 8, 2013. The extension of the Curamhuele Block will require additional work commitments of US$17.6 million (Madalena share – US$17.6 million). The Curamhuele Block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

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.

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

The InSite Report on the reserves data for the Company 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 Company has not paid any dividends or distributions on the Common Shares. The Board will determine the timing, payment and amount of future dividends, if any, that may be paid by the Company from time to time based upon, among other things, the cash flow, results of operations and financial condition of the Company, the need for funds to finance ongoing operations and other business considerations as the Board considers relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at April 24, 2012, there were 314,307,185 Common Shares issued and outstanding. In addition, as at such date, there were an aggregate of 13,690,366 Common Shares reserved for issuance upon the exercise of outstanding options to purchase Common Shares ("**Options**").

Each Common Share entitles its holder to receive notice of and to attend all meetings of the shareholders of the Company 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 Company 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 Company upon the liquidation, dissolution, bankruptcy or winding-up of the Company 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 Company 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 during the year-ended December 31, 2011:

Period	High ($)	Low ($)	Volume
2011			
January	1.04	0.75	15,787,827
February	1.12	0.88	17,285,214
March	1.10	0.68	31,446,673
April	1.04	0.50	32,700,679
May	0.84	0.60	17,007,196
June	0.71	0.455	17,050,949
July	0.80	0.54	7,895,835
August	0.77	0.57	14,940,136
September	0.70	0.475	6,505,644
October	0.69	0.385	8,280,967
November	0.83	0.57	16,734,262
December	0.91	0.51	15,697,044

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As of the date hereof, no securities of the Company are subject to escrow or contractual restrictions on transfer.

PRIOR SALES

The following table summarizes the issuances of securities convertible into Common Shares during the year-ended December 31, 2011:

Date	Securities	Number of Securities	Price per Security
February 14, 2011	Issuance of Options	600,000	$0.96[1]
May 3, 2011	Issuance of Options	500,000	$0.73[1]
July 1, 2011	Issuance of Options	50,000	$0.57[1]
December 2, 2011	Issuance of Options	1,330,000	$0.69[1]

Note:

(1) Reflects the exercise price of such Options.

DIRECTORS AND OFFICERS

The name and place of residence of each director and officer, the offices held by each in the Company, the principal occupation of the directors and officers, the period served as director and the number of securities of the Company owned by such individuals as at April 24, 2012 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[3]	Currently Chairman of the Board of Madalena and President, CEO and Director of Bellatrix Exploration Ltd. 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 [3][4]	Currently President of Upsilon Holdings Ltd., a privately owned consulting company.	December 29, 2005	460,000[1][2]
Keith Macdonald Alberta, Canada Director [3][4][5]	Currently President of Bamako Investment Management Ltd., a privately owned investment and financial advisory company.	June 22, 2010	440,000

Name, Address and Position	Principal Occupation for the Previous 5 Years	Director Since	Number of Common Shares
Ving Woo Alberta, Canada Director (4)(5)	Currently Vice President, Engineering and Chief Operating Officer at Bellatrix Exploration Ltd., 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. Formerly Vice President, Engineering for Corsair Exploration Inc. from July 1999 until Apri12002. Formerly Viet President, Engineering for New Cache Petroleum from February 1996 until February 1999.	March 10, 2006	1,525,000
Jay Reid Alberta, Canada Director (3)	Partner at the Calgary based law firm of Burnet, Duckworth & Palmer LLP and has practiced corporate and securities law since 1990. He has served as a director or officer of a number of publicly listed issuers and currently serves as a Director of Renegade Petroleum Ltd. and Madalena Ventures Inc. and Corporate Secretary for Advantage Oil & Gas Ltd., Longview Oil Corp., TriOil Resources Ltd. and Pinecrest Energy Inc. and also serves as a director or corporate secretary of six private issuers.	February 13, 2009	Nil
Barry B. Larson Alberta, Canada Director (5)	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) Member of the Corporate Governance and Compensation Committee.
(4) Member of the Audit Committee.
(5) Member of the Reserves Committee.
(6) Each director of the Company holds office from the time elected until the next annual meeting of shareholders at which time they shall retire but, if qualified, shall be eligible for re-election in accordance with the ABCA.
(7) Each of Dwayne Warkentin and Anthony Potter devote their full time and attention to the business affairs of the Company.

The directors and officers of the Company as a group own, directly or indirectly, or control or exercise direction over 10,146,500 Common Shares, representing 3.2% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, to the knowledge of the Company, no director or executive officer of the Company: (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 Company, no director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, 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.

Mr. Lock, a director of the Company, 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 Company will be subject in connection with the operations of the Company. In particular, certain of the directors and officers of the Company 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 Company or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Company. 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. See "*Risk Factors*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As at the date of this AIF, there are no outstanding legal proceedings material to the Company to which the Company is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated. In addition, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the 2011 financial year, no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Company with a court relating to securities legislation or with a securities regulatory authority during the 2011 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.

RISK FACTORS

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

Argentina Risk Factors

Risks of Argentinean Operations

As the Company's oil and gas properties and operations are located in Argentina, the Company is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies or the personnel administering them, nationalization, currency fluctuations, exchange controls, and royalty and tax increases. The Company's business, financial condition, results of operations, and the value of the Common Shares could also be materially adversely affected by social instability in Argentina and other factors which are not within the control of the Company including, among other things, the risks of terrorism, civil strikes, abduction, renegotiation or nullification of existing concessions and contracts, economic sanctions, the imposition of specific drilling obligations, and the development and abandonment of fields. The Company's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Company's operations in Argentina, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's exploration, development and production activities in Argentina could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, and the value of the Common Shares.

The Government of Argentina recently announced changes to its oil and gas regulatory regime requiring oil, gas and mining exporters to repatriate all of their export revenue. Although management of the Company believes that these changes will not have a significant impact on the Company as the Company does not have existing arrangements or plans to export production, any future changes to the oil and gas regime in Argentina could have a material adverse effect on the Company.

The Government of Argentina also recently announced that it was suspending the Oil Plus and Refining Plus Programs for large companies. While management of the Company believes that these changes will not have a significant impact on the Company as the Company does not have any arrangements or plans in place to export production and its current tax position is such that it would not be able to fully realize the tax credits issued under the programs, any future changes to the oil and gas pricing mechanisms in Argentina could have a material adverse effect on the Company.

In response to declining oil and gas production volumes in Argentina, the federal and various provincial governments in Argentina are calling for oil and gas companies operating in the country to increase investment. In 2012, certain provinces began to revoke blocks citing lack of investment. While the Company believes that it has met all of its investment commitments with respect to its participation in the Coiron Amargo Block, the Cortadera Block and the Curamhuele Block, any future changes to the licencing regime in Neuquen Province, Argentina where the Company’s acreage is located could have a material adverse effect on the Company.

On April 16, 2012, the Government of Argentina announced that it has put forward to Congress a bill seeking to expropriate a controlling 51% interest in the shares of the country's largest oil company, Repsol – YPF. The Company is subject to certain political, economic, and other uncertainties related to the potential nationalization of Repsol-YPF, including, but not limited to, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, a change in oil or natural gas pricing policy, currency fluctuations and devaluations, renegotiation or nullification of existing concessions and contracts, and potential royalty and tax increases. While the recent announcement does not have a direct effect on the Company's operations, it may indirectly affect its business and operations and has to date had an adverse effect on the market price of the Common Shares.

The Company is currently in discussion with provincial authorities to extend the initial exploration period of the Cortadera Block beyond the initial expiry date of October 26, 2011. While the Company has agreed on a work program with G&P and is optimistic that formal approval of the extension is forthcoming, a delay or rejection of the extension terms may have a material adverse effect on the Company in that the Company would be required to relinquish up to 50% of its acreage under the licence.

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.

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 Company'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 Company could sell or any regulations that limit price increases in Argentina and elsewhere could severely limit the amount of the Company'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 Company'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 Company 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 Company's results of operations and financial condition.

Foreign Subsidiaries

The Company conducts all of its operations in Argentina through foreign subsidiaries. Therefore, to the extent of these holdings, the Company will be dependent on the cash flows of these subsidiaries to meet its obligations excluding any additional equity the Company may issue from time to time. The ability of its subsidiaries to make payments to the Company may be constrained by among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions or the availability of hard currency to be repatriated.

Legal Systems

There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

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 Company'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 Company 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 Company may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company'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 Company will be able to continue to locate satisfactory properties for acquisition or participation therein. Moreover, if such acquisitions or participations are identified, management of the Company 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 Company.

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, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. 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 fire, explosion, blowouts, cratering, sour gas releases, spills or other environmental hazards, 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 Company 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 Company. 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 Company's business, financial condition, results of operations and prospects. In accordance with industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, the nature of certain risks is such that liabilities could exceed policy limits or not be covered, in either event the Company could incur significant costs.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. These conditions have caused a decrease in confidence in the global credit and financial markets and have created 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. This volatility may in the future affect the Company's ability to obtain equity or debt financing on acceptable terms.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Company is and will continue to be affected by numerous factors beyond its control. The Company's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company 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 Company'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 natural gas and a reduction in the volumes of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include economic conditions in the United States, Canada, South America and Europe, the actions of OPEC, governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply of oil and natural 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 natural gas would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Oil and natural gas 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 sanctions imposed on certain oil producing nations by other countries and the ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural 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.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the issuers involved. The market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. Factors that could affect the market price of the Common Shares that are unrelated to the Company's performance include domestic and global commodity prices and market perceptions of the attractiveness of particular industries. The price at which the Common Shares of the Company will trade cannot be accurately predicted.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company considers acquisitions and dispositions of businesses and assets and may enter into joint ventures in the ordinary course of business. Achieving the benefits of acquisitions and joint ventures depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the businesses and operations with those of the Company. The integration of acquired businesses and joint ventures 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 may be periodically disposed of, so that the Company 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 Company, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Company.

Operational Dependence

Other companies operate some of the assets in which the Company has an interest. As a result, the Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others therefore depends upon a number of factors that may be outside of the Company's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

The Company 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 Company's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or the Company's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- 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 Company 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.

Gathering and Processing Facilities and Pipeline Systems

The Company delivers its products through gathering, processing and pipeline systems some of which it does not own. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities, could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, results of operations and cash flows.

A portion of the Company's production may, from time to time, be processed through facilities owned by third parties and over which the Company does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Company's ability to process its production and to deliver the same for sale.

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other entities in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company'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 exploration and production activities, prices, 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 crude oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to conduct oil and natural gas operations, the Company will require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate hydrocarbon (oil and natural gas) production. The use of hydraulic fracturing is being used to produce commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs or third party or governmental claims, and could increase the Company's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reserves.

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 Company to incur costs to remedy such discharge. Although the Company 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 Company'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 Company's exploration and production facilities and other operations and activities emit greenhouse gases and require the Company 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 Company's business, financial condition, results of operations and prospects. The future implementation or modification of greenhouse gases regulations, whether to meet the limits regulated by 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 Company. 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 Company and its operations and financial condition. See "*Industry Conditions – Climate Change Regulation*".

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural 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 Company's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators.

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

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

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors, the overall state of the capital markets, the Company's credit rating (if applicable), interest rates, tax burden due to new tax laws and investor appetite for investments in the energy industry and the Company's securities in particular. Further, if the Company'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 Company 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 Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and from time to time, the Company may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. As a result of the global economic volatility, the Company, along with many other oil and natural gas entities, may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Issuance of Debt

From time to time the Company 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 Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company 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 Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time, could impair the Company'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 Company 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, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time the Company 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 Company 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 Company 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 Company's claim which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties the Company controls that, if successful or made into law, could impair the Company's activities on them and result in a reduction of the revenue received by the Company.

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 natural 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 Company'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 Company'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 Company's oil and natural 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 Company 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 Company's reserves since that date.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company 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, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Company 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 Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company'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 Company 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, North Africa 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 Company's net production revenue.

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

Dilution

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

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Dividends

The Company 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 Company, the need for funds to finance ongoing operations and other considerations as the Board of Directors considers relevant.

Third Party Credit Risk

The Company 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 Company, such failures may have a material adverse effect on the Company'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 Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

Conflicts of Interest

Certain directors of the Company are also directors of other oil and natural 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. See "*Directors and Officers – Conflicts of Interest*".

Reliance on Key Personnel

The Company'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 Company's business, financial condition, results of operations and prospects. The Company does not have any key person insurance in effect for the Company. The contributions of the existing management team to the immediate and near term operations of the Company 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 Company 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 Company.

Initial Well Rates Are Not Determinative of Future or Continuing Production Rates

Any references in this Annual Information Form to test rates, flow rates, initial and/or final raw test or production rates, early production and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. In addition, the Vaca Muerta shale is an unconventional resource play which may be subject to high initial decline rates.

INDUSTRY CONDITIONS

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 Company's operations in a manner materially different than they will affect other oil and natural gas companies of similar size with operations in Argentina. Legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in Argentina.

Pricing and Marketing

The Federal Government of Argentina has implemented controls for domestic fuel prices and has placed a tax on oil and natural gas exports. 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. The Federal Government of Argentina has indicated some 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. In November 2007, changes to the export tax were imposed with the objective of limiting the maximum price of oil that producers could receive for crude oil exports to $42/bbl. This has had the effect of limiting the actual realized price for domestic sales of oil in Argentina. Despite this tax imposed ceiling price, higher demand has resulted in increasing market prices for oil from late 2009 onwards. For a description of the prices and netbacks achieved by the Company during the year ended December 31, 2011, see "*Statement of Reserves Data and Other Oil and Gas Information - Other Oil and Gas Information - Production History*".

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 Mountains 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 liquefied natural gas ("**LNG**") through the Bahia Blanca LNG terminal located approximately 600 km southwest of Buenos Aires. A second import terminal (Puerto Escobar) came on stream in June 2011 which more than doubled 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 Company is thus exposed to union activity including strikes, shut-downs, labour negotiations and other actions outside of the Company's direct control, which may have a material adverse effect on the operations of the Company.

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. The turnover tax in Neuquen Province is 3%. 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 Company 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 Company's business, financial condition and results of operations. 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.

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 may be 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. Unless renegotiated, 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 and in 2012 the Argentinean government announced that it was suspending the Oil Plus and Refining Plus Programs for large companies. While the Company does not have any arrangements or plans in place to export production and its current tax position is such that it would not be able to fully realize the tax credits associated with the Oil Plus program, Madalena believes that future production from its blocks may 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, such as sulphur dioxide and nitrous oxide. 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 when it entered into its joint venture agreements 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 Regulation

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, government leaders and representatives met in Copenhagen, Denmark and agreed to 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. Another meeting of government leaders and representatives in 2010 resulted in the Cancun Agreements wherein developed countries committed to additional measures to help developing countries deal with climate change. 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. While Argentina is a significant South American energy producer and consumer, in recent years it has become a net importer of refined products and natural gas liquids.

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 Company, 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 Company's last completed financial year or in any proposed transaction which has materially affected or will materially affect the Company except as described herein.

MATERIAL CONTRACTS

Except for contracts entered into by the Company in the ordinary course of business or otherwise disclosed herein, the Company 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 NI 51-102 by the Company during, or related to, the Company's most recently completed financial year other than InSite, the Company's independent engineering evaluators and KPMG LLP, the Company's auditors.

To the knowledge of the Company, InSite, or principals thereof, did not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of the Company'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 Company 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 Company 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 Company or of any associate or affiliate of the Company, except Jay Reid, a director of the Company who is a partner at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to the Company.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular for the most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company'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 Company, 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 is dated April 17, 2012. The effective date of the statement is December 31, 2011 and the preparation date of the statement is April 17, 2012.

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, 2011. 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, 2011. The Reserves Data conforms with the requirements of NI 51-101. Madalena engaged InSite to provide evaluations of proved reserves, proved plus probable reserves and proved plus probable plus possible reserves. Possible reserves are those additional reserves that are less certain to be recovered than probable resources. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. All of Madalena's reserves are located on the Coiron Amargo Block in Argentina.

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. See "*Special Note Regarding Forward-Looking Statements*".

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 Independent Qualified Reserves Evaluator or Auditor"* and, "*Form 51-101F3 - Report of Management and Directors on Reserves Data and Other Information*" 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, 2011

Forecast Prices and Costs

The following tables provide a summary, by country and in the aggregate, of the Company's oil and gas reserves and net present value of future net revenue at December 31, 2011 using forecast prices and costs. All of the Company's properties are located in Argentina. Amounts shown are in US$. On December 31, 2011, the Bank of Canada noon spot rate of exchange was 1 US $ = $1.017.

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	82.8	72.9	-	-	82.8	72.9
Developed Non-Producing	220.8	194.3	377.7	332.4	283.8	249.7
Undeveloped	399.0	351.1	648.0	570.3	507.0	446.2
Total Proved	702.6	618.3	1,025.7	902.6	873.6	768.8
Probable	563.0	495.5	769.7	677.4	691.3	608.4
Total Proved Plus Probable	1,265.7	1,113.8	1,795.4	1580.0	1,564.9	1,377.1
Possible	268.0	235.8	405.5	356.8	335.5	295.3
Total Proved Plus Probable Plus Possible	1,533.6	1,349.6	2,200.9	1,936.8	1,900.5	1,672.4

Argentina (US M$)	**Net Present Values of Future Net Revenue**									
	Before Income Taxes Discounted at (%/year)					**After Income Taxes Discounted at (%/year) [3]**				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved										
Developed Producing	2,659.2	2,530.8	2,419.8	2,322.9	2,237.4	2,659.2	2,530.8	2,419.8	2,322.9	2,237.4
Developed Non-Producing	9,713.3	7,191.3	5,688.9	4,668.3	3,927.7	8,138.5	6,119.7	4,880.5	4,029.8	3,409.8
Undeveloped	14,668.3	10,785.7	8,088.0	6,144.3	4,701.3	9,471.5	6,622.7	4,656.1	3,250.5	2,216.5
Total Proved	27,040.8	20,507.8	16,196.7	13,135.5	10,866.5	20,269.2	15,273.2	11,956.4	9,603.1	7,863.7
Probable	26,086.3	16,536.9	11,205.6	7,968.8	5,872.2	16,884.9	10,146.9	6,455.0	4,264.8	2,882.5
Total Proved Plus Probable	53,127.1	37,044.8	27,402.3	21,104.3	16,738.7	37,154.1	25,420.1	18,411.4	13,867.9	10,746.2
Possible	14,667.7	7,039.6	3,886.4	2,400.9	1,619.8	9,493.7	4,273.0	2,167.9	1,212.1	732.6
Total Proved Plus Probable Plus Possible	67,794.8	44,084.4	31,288.6	23,505.2	18,358.5	46,647.8	29,693.0	20,579.3	15,080.0	11,478.8

Total Future Net Revenue (Undiscounted) at December 31, 2011

The following tables provide a summary, by country and in the aggregate, of the Company's total future net revenue (undiscounted) at December 31, 2011 using forecast prices and costs. All of the Company's properties are located in Argentina. Amounts shown are in US dollars. On December 31, 2011, the Bank of Canada noon spot rate of exchange was 1 US $ = $1.017.

Argentina (US M$) Reserves Category	Revenue	Royalties	Operating Costs	Development Costs	Well Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes [(3)]
Total Proved Reserves	63,086.6	9,463.0	18,384.5	7,656.1	542.2	27,040.8	6,771.6	20,269.2
Total Proved Plus Probable Reserves	118,387.9	17,758.2	34,706.8	12,030.6	765.3	53,127.1	15,973.1	37,154.1
Total Proved Plus Probable Plus Possible Reserves	149,785.1	22,467.8	46,693.4	12,121.6	907.5	67,794.8	21,147.1	46,647.8

Future Net Revenue by Production Group at December 31, 2011

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

The following tables provide a summary, by country and in the aggregate, of the Company's future net revenue, before deducting future income tax expenses, by production group at December 31, 2011 using forecast prices and costs and calculated using a 10% discount rate. All of the Company's properties are located in Argentina. Amounts shown are in US dollars. On December 31, 2011, the Bank of Canada noon spot rate of exchange was 1 US $ = $1.017.

Argentina (US M$)

Reserves Category	Production Group	US M$	$/boe
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	16,196.7	21.07
	Total Proved	16,196.7	21.07
Proved plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	27,402.3	19.90
	Total Proved plus Probable	27,402.3	19.90
Proved plus Probable Plus Possible Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	31,288.6	18.71
	Total Proved plus Probable Plus Possible	31,288.6	18.71

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.
3. The after-tax net present value of the Company's oil and gas properties reflects existing tax losses available to MVA which can be applied to future net revenue from the properties. It does not consider costs attributed to other properties, the Company's tax situation, or tax planning. It does not provide an estimate of the value at the level of Company which may be significantly different. The financial statements and the management's discussion & analysis of the Company should be consulted for information at the level of the Company.
4. ***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.

5. ***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.

(c) at least a 10 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable plus possible 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.

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, 2011, as follows:

Summary of Pricing and Inflation Rate Assumptions at December 31, 2011

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**
2012	100.00	3.90	75.40	2.75
2012	101.00	4.50	76.91	2.81
2014	102.00	5.00	78.45	2.86
2015	103.00	5.50	80.02	2.92
2016	104.00	6.00	81.62	2.98
2017	106.00	6.50	83.25	3.04
2018	108.12	7.00	84.91	3.10
2019	110.28	7.50	86.61	3.16
2020	112.49	7.65	88.34	3.22
2021	114.74	7.80	90.11	3.29
2022	117.03	7.96	91.91	3.35
2023	119.37	8.12	93.75	3.42
2024	121.76	8.28	95.63	3.49
2025	124.20	8.45	97.54	3.56
2026	126.68	8.62	99.49	3.63
2027	129.21	8.79	101.48	3.70
2028	131.80	8.96	103.51	3.78
2029	134.43	9.14	105.58	3.85

Notes:

(1) Escalation at 2% per year after 2029.

(2) All costs escalate at 2% per year from 2012.

(3) Argentinean gas price represents industrial contract prices received in the area. Weighted average historical prices realized by the Company for year ended December 31, 2011 from its Argentina oil and gas properties was $60.58/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, 2010 to December 31, 2011:

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, 2010	717.7	591.3	1,309.0	1,761.7	1,143.4	2,905.1
Production	(30.2)	-	(30.2)	-	-	-
Technical Revisions	(33.8)	(17.6)	(51.4)	(521.7)	(237.6)	(759.4)
Extensions & Improved Recovery	140.0	138.3	278.2	301.9	215.9	517.9
Discoveries	158.0	51.2	209.2	67.9	19.7	87.7
Acquisitions	-	-	-	0	-	-
Dispositions	(249.0)	(200.1)	(449.1)	(584.2)	(371.6)	(955.8)
Economic Factors	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-
December 31, 2011	702.6	563.1	1,265.7	1,025.8	769.8	1,795.4

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 Company's Argentina assets for the years ended December 31, 2011, 2010 and 2009 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				
Prior thereto	-	-	-	-
2009	181.7	181.7	181.3	181.3
2010	295.7	432.0	368.4	534.0
2011	123.2	351.1	265.7	570.3

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				
Prior thereto	-	-	-	-
2009	326.5	326.5	397.1	397.1
2010	170.9	341.8	213.5	438.5
2011	92.4	320.3	124.7	432.4

Proved Undeveloped Reserves

The Company 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. See "*Principal Properties*" and "*Statement of Reserves Data – Future Development* Costs" for a description of the Company's exploration and development plans and expenditures.

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 Company 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**
2012	4,180.8	4,180.8	4,180.8
2013	3,163.0	4,376.8	4,376.8
2014	247.6	3,408.4	3,499.4
2015	-	-	-
2016	-	-	-
2043	64.7	64.7	64.7
Total (Undiscounted)	7,656.1	12,030.6	12,121.6
Total (Discounted at 10%)	6,863.6	10,453.4	10,525.5

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 cannot readily be 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, 2011:

	Producing Wells				Shut-in Wells (1)(2)			
	Oil		Natural Gas		Oil		Natural Gas	
Location	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Argentina	5	1.7	-	-	1	0.9	1	0.9
Total	5	1.7	-	-	1	0.9	1	0.9

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 2012.
(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, 2011:

	Gross		Net	
Location	**Acres**	**Sections**	**Acres**	**Sections**
Argentina, South America	278,522	435	134,180	210

In March 2012 an application by the Coiron Amargo joint venture to convert the northern 108 km^2 of the 404 km^2 Coiron Amargo Block to a 25 year exploitation concession was approved by the Province of Neuquén. In addition, the exploration period for the remainder of the Coiron Amargo Block was extended to November 8, 2013. The extension of the Coiron Amargo Block will require additional work commitments of US$33.5 million (Madalena share – US$11.7 million).

In March 2012 the exploration period for the Curamhuele Block was extended to November 8, 2013. The extension of the Curamhuele Block will require additional work commitments of US$17.6 million (Madalena share – US$17.6 million). The Curamhuele Block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

The Company is currently in discussion with provincial authorities to extend the initial exploration period of the Cortadera Block beyond the initial expiry dates of October 26, 2011. While the Company has agreed on a work program with provincial authorities and is optimistic that formal approval of the extension is forthcoming, a delay or rejection of the extension terms may have a material adverse effect on the Company.

Provided the Company has met its block work commitments by the expiry dates, the Company expects to either convert all or a portion of its acreage to a 25 year exploitation concession or receive an extension, with additional work commitments, of its rights to explore, develop and exploit such undeveloped properties.

Forward Contracts and Marketing

The Company 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 U$542 million undiscounted (US$111 million using a 10% discount rate) for Argentina. 100% of such amounts were deducted as abandonment costs in estimating future get revenue of the Company in respect of proved reserves as disclosed above. No allowance for salvage value was included in these costs. The Company 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 Company has 9 gross (4.8 net) wells in Argentina, for which it expects to incur abandonment costs.

The following table indicates the expected timing of well abandonment and sets forth abandonment costs deducted in the estimation of the Company's future net revenue for the Coiron Amargo Block:

Forecast Prices and Costs	**Argentina Abandonment Costs (Undiscounted) US M$**		
Year	**Total Proved**	**Total Proved Plus Probable**	**Total Proved Plus Probable Plus Possible**
2022	42.66	-	-
2024	44.39	-	-
2026	92.36	-	-
2027	94.21	47.11	-
2028	-	48.05	-
2029	98.02	-	-
2031	101.98	50.99	50.99
2032	-	52.01	-
2033	-	212.19	53.05
2034	-	54.11	18.02
2035	-	-	18.38

Forecast Prices and Costs

Year	Argentina Abandonment Costs (Undiscounted) US M$ Total Proved	Total Proved Plus Probable	Total Proved Plus Probable Plus Possible
2036	-	-	18.75
2037	-	172.26	-
2038	-	58.57	117.14
2039	-	-	119.48
2040	-	-	121.87
2041	-	-	62.15
2042	-	-	190.19
2043	-	-	64.67
2046	68.62	-	-
2047	-	70.00	-
2049	-	-	72.82
Total Undiscounted	542.24	765.28	907.51
Total Discounted @ 10%	110.82	91.94	66.17

Tax Horizon

The InSite report forecasts cash taxes in Argentina will be incurred by the Company in 2013.

Costs Incurred

The following table summarizes capital expenditures (net of asset retirement costs and office equipment) related to the Company's activities for the year ended December 31, 2011 in thousands of CDN dollars:

	Argentina	Total
Property acquisition costs:		
Proved Properties	-	-
Undeveloped Properties	-	-
Exploration costs	20,024.0	20,024.0
Development costs	-	-
Total	20,024.0	20,024.0

Exploration and Development Activities

In 2011 the Company drilled in Argentina the CAN X-4 and CAS X-1 wells on the Coiron Amargo Block, completed drilling the Curamhuele X-1001 well and drilled the Yapai X-1001 on the Curamhuele Block and drilled the CorS X-1 well on the Cortadera Block. The CAN X-4, CAS X-1 and CorS X-1 wells were drilled at no cost to the Company. See "*Principal Properties*" for a description of the Company's exploration and development activities and plans.

Production Estimates

The following table sets out the volume of the Company's gross working interest production estimated for the year ended December 31, 2012 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*".

	Light and Medium Oil *(MBbl)*	Natural Gas *(MMcf)*	Natural Gas Liquids *(MBbls)*	BOE *(MBOE)*
Total Proved	62.7	69.1	-	74.2
Total Proved Plus Probable	64.0	69.8	-	75.6

	Light and Medium Oil (MBbl)	Natural Gas (MMcf)	Natural Gas Liquids (MBbls)	BOE (MBOE)
Total Proved Plus Probable Plus Possible	65.2	71.3	-	77.1

Production History

The following tables summarize certain information from the Company'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)	84	103	105	141
Gas (Mcf/d)	-	-	-	-
NGLs (Bbls/d)	-	-	-	-
Combined (Bbls/d)	84	103	105	141
Average Price Received				
Light and Medium Crude Oil ($/Bbl)	69.26	64.55	57.40	53.91
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	69.26	64.55	57.40	53.91
Royalties Paid				
Light and Medium Crude Oil ($/Bbls)	16.21	13.46	10.03	10.38
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	16.21	13.46	10.03	10.38
Operating & Transportation Expenses ($/Boe)				
Light and Medium Crude Oil ($/Bbls)	40.06	38.23	26.87	23.01
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	40.06	38.23	26.87	23.01
Netback Received ($/Boe) [(2)]				
Light and Medium Crude Oil ($/Bbls)	12.99	12.86	20.50	20.52
Gas ($/Mcf)	-	-	-	-
NGLs ($/Bbls)	-	-	-	-
Combined ($/Boe)	12.99	12.86	20.50	20.52

Notes:

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

The Company's production for the year ended December 31, 2011 was 100% light and medium crude oil.

For the twelve months ended December 31, 2011, approximately 90% of the Company'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, 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, 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, 2011, 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	**Description and Preparation Date of Evaluation Report**	**Location of Reserves (Country or Foreign Geographic Area)**	**Net Present Value of Future Net Revenue (before income taxes, 10% discount, Thousand US Dollars)[1]**			
			Audited	Evaluated	Reviewed	Total
InSite Petroleum Consultants Ltd.	Madalena Ventures Inc . Coiron Amargo Block in Argentina as at December 31, 2011 and prepared April 17, 2012	Argentina	Nil	27,402.3	Nil	27,402.3
TOTAL			Nil	27,402.3	Nil	27,402.3

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.

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

Note:

(1) This amount should be the amount disclosed by the 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 USD dollars.

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 17, 2012

(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 "**Company**") are responsible for the preparation and disclosure of information with respect to the Company'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, 2011, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company'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 Company has:

- reviewed the Company'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 Company'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.

Dated at Calgary, Alberta, this 24th day of April, 2012.

(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 Chief Financial Officer	Raymond G. Smith, Director and Chairman of the Board of Directors