Madalena Ventures Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)

Madalena Ventures Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

$CDN	Note	As at March 31, 2013	As at December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		**24,045,774**	38,252,673
Trade and other receivables		**3,390,217**	2,255,860
Other current assets		**1,019,242**	894,096
		28,455,233	41,402,629
Property, plant and equipment	4	**38,129,786**	29,478,004
Exploration and evaluation assets	5	**42,182,982**	35,759,879
Other non-current assets		**1,201,314**	1,138,712
		109,969,315	107,779,224
Liabilities			
Current liabilities			
Trade and other payables		**16,091,132**	11,377,198
Other long term liabilities		**61,660**	61,660
Decommissioning obligations	6	**4,018,681**	3,954,732
		20,171,473	15,393,590
Shareholders' Equity			
Share capital	7	**142,303,165**	141,676,214
Contributed surplus		**11,792,999**	11,920,008
Accumulated other comprehensive loss		**(9,141,285)**	(8,373,278)
Deficit		**(55,157,037)**	(52,837,310)
		89,797,842	92,385,634
		109,969,315	107,779,224

Commitments (Note 11)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.

Madalena Ventures Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Income (Loss)
(Unaudited)

$CDN			
Three months ended March 31,	**Note**	**2013**	**2012**
Revenues			
Oil and natural gas revenues		**3,609,743**	396,773
Royalties		**(525,449)**	(69,800)
		3,084,294	326,973
Interest and other income		**103,001**	86,694
Unrealized loss on commodity contracts		**(65,114)**	-
		3,122,181	413,667
Expenses			
Operating		**1,877,703**	330,156
General and administrative		**1,947,729**	733,344
Accretion of decommissioning obligation	6	**37,008**	13,026
Share-based compensation	8	**149,812**	324,836
Depletion and depreciation	4	**1,264,433**	80,563
Foreign exchange gain (loss)		**47,982**	(3,846)
		5,324,667	1,478,079
Loss before income taxes		**(2,202,486)**	(1,064,412)
Current income tax expense		**(117,241)**	(102,953)
Net loss		**(2,319,727)**	(1,167,365)
Foreign currency translation adjustment		**(768,007)**	1,369,566
Comprehensive loss		**(3,087,734)**	202,201
Loss per share			
Basic and diluted	12	**(0.01)**	-

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.

Madalena Ventures Inc.

Condensed Interim Consolidated Statements of Equity
(Unaudited)

$CDN	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
	(Note7)				
Balance at December 31, 2011	77,862,747	10,073,672	(5,162,197)	(43,972,109)	38,802,113
Net loss	-	-	-	(1,167,365)	(1,167,365)
Other comprehensive income (loss)	-	-	1,369,566	-	1,369,566
Share issuance	67,500,000	-	-	-	67,500,000
Share issuance costs	(4,016,845)	-	-	-	(4,016,845)
Stock options exercised	328,041	(142,591)	-	-	185,450
Share based payments	-	336,682	-	-	336,682
Balance at March 31, 2012	141,673,943	10,267,763	(3,792,631)	(45,139,474)	103,009,601
Balance at December 31, 2012	141,676,214	11,920,008	(8,373,278)	(52,837,310)	92,385,634
Net loss	-	-	-	(2,319,727)	(2,319,727)
Other comprehensive loss	-	-	(768,007)	-	(768,007)
Stock options exercised	626,951	(282,162)	-	-	344,789
Share based payments	-	155,153	-	-	155,153
Balance at March 31, 2013	**142,303,165**	**11,792,999**	**(9,141,285)**	**(55,157,037)**	**89,797,842**

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.

Madalena Ventures Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

$CDN			
Three months ended March 31,	**Note**	**2013**	**2012**
Cash provided by (used in):			
Operating			
Net loss		**(2,319,727)**	(1,167,365)
Items not affecting cash:			
Depletion and depreciation	4,5	**1,264,433**	80,563
Accretion		**37,008**	13,026
Unrealized loss on commodity contracts	13	**65,114**	-
Share-based compensation	8	**149,812**	324,836
Decommissioning costs incurred	6	**(58,950)**	-
Change in other non-current assets		**-**	(1,162)
Change in non-cash working capital	10	**(1,460,634)**	1,223,011
Net cash used in operating activities		**(2,322,944)**	472,909
Investing			
Development capital and corporate additions	4	**(9,976,679)**	(1,965,465)
Evaluation and exploration assets additions	5	**(6,998,203)**	(4,726,199)
Change in other non-current assets		**(86,879)**	-
Change in non-cash working capital	10	**4,860,992**	370,196
Net cash used in investing activities		**(12,200,769)**	(6,321,468)
Financing			
Share issuance	7	**344,789**	67,685,450
Share issuance costs	7	**-**	(4,016,845)
Change in non-cash working capital	10	**-**	105,441
Net cash from financing activities		**344,789**	63,774,046
Change in cash and cash equivalents		**(14,178,924)**	57,925,487
Cash and cash equivalents, beginning of period		**38,252,673**	16,439,077
Impact of foreign exchange on cash balances		**(27,975)**	21,353
Cash and cash equivalents, end of period		**24,045,774**	74,385,917

See the accompanying Notes to the Consolidated Financial Statements.

1. Reporting Entity

Madalena Venture Inc. (the "Company" or "Madalena") is involved in the exploration, development and production of oil and natural gas in in Argentina and in Alberta, Canada and its principal place of business is Suite 200, 707 – 7th Avenue S.W., Calgary, Alberta, T2P 3H6.

The consolidated financial statements are comprised of the results of the Company and the following wholly-owned subsidiaries in the indicated legal jurisdictions:

- Madalena Austral S.A. (Argentina)
- Madalena Ventures International Holding Company Inc. (Barbados)
- Madalena Ventures International Inc. (Barbados)
- Online Energy Inc. (Canada)

2. Basis of Preparation

Future operations

These condensed interim consolidated financial statements have been prepared on the basis that the Company is a going concern and will realize assets and discharge liabilities in the normal course of operations for the foreseeable future. Presently, Madalena has minimal production and limited cash flow from operating activities. The Company currently relies substantially on equity financing to pay for exploration activities and overhead expenses. Therefore, the Company's ability to continue operations is dependent on identifying commercial oil and gas reserves, generating profitable operations and raising sufficient capital to complete planned exploration and development activities. The outcome of these matters cannot be predicted at this time.

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard 34, "*Interim Financial Reporting*". These condensed interim consolidated financial statements follow the same accounting policies and method of computation as the annual Consolidated Financial Statements for the year ended December 31, 2012, except as identified in Note 3. The disclosures provided below are incremental to those included with the annual Consolidated Financial Statements. Certain information and disclosures normally included in the notes to the annual Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

The condensed interim consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on May 27, 2013.

3. Changes in Accounting Policies

Future Accounting Changes

As disclosed in the December 31, 2012 annual Consolidated Financial Statements, the Company adopted, as required, IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), IFRS 11 *Joint Arrangements*("IFRS 11"), IFRS 12 *Disclosure of Interest in Other Entities* ("IFRS 12"), IFRS 13 *Fair Value Measurement* ("IFRS 13"), as well as the amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"), IAS 27 *Separate Financial Statements* ("IAS 27") and IAS 28 *Investments in Associate and Joint Ventures* ("IAS 28").

The Company reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries and investees. The Company performed a comprehensive review of its interests in other entities and identified no interests that would require different accounting treatment under IFRS 11 or disclosures required under IFRS 12. The Company applied IFRS 13 prospectively as required and there has been no change to the Company's methodology for determining fair value for its financial assets and liabilities and as such, the adoption of IFRS 13 did not result in any measurement adjustments as at January 1, 2013 and it did not result in any additional disclosure in the notes to the condensed interim consolidated financial statements as the carrying value of all of the Company's financial assets and liabilities approximate their fair values. The amendments to IAS 1, IAS 27 and IAS 28 had no impact on the condensed interim consolidated financial statements.

Future Accounting Pronouncements

There were no new or amended standards issued during the three months ended March 31, 2013 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2012.

4. Property, Plant and Equipment

$CDN	Oil and Natural Gas Assets	Corporate	Total
Cost			
At December 31, 2011	7,489,806	227,307	7,717,113
Acquired on business combination	16,488,711	41,493	16,530,204
Development capital and corporate additions	11,224,514	27,328	11,251,842
Effect of change in foreign exchange rates	(1,258,989)	(2,907)	(1,261,896)
At December 31, 2012	33,944,042	293,221	34,237,263
Development capital and corporate additions	10,133,564	-	10,133,564
Effect of change in foreign exchange rates	(322,394)	(945)	(323,339)
At March 31, 2013	**43,755,212**	**292,276**	**44,047,488**

$CDN	Oil and Natural Gas Assets	Corporate	Total
Accumulated depreciation and depletion			
At December 31, 2011	(452,367)	(144,342)	(596,709)
Depreciation and depletion	(1,714,648)	(18,787)	(1,733,435)
Impairment	(2,519,001)	-	(2,519,001)
Effect of change in foreign exchange rates	87,742	2,145	89,887
At December 31, 2012	(4,598,274)	(160,984)	(4,759,258)
Depreciation and depletion	(1,242,750)	(6,600)	(1,249,350)
Effect of change in foreign exchange rates	90,241	665	90,906
At March 31, 2013	**(5,750,783)**	**(166,919)**	**(5,917,702)**

$CDN			
Net book value			
At December 31, 2011	7,037,439	82,965	7,120,404
At December 31, 2012	29,345,767	132,237	29,478,004
At March 31, 2013	**38,004,429**	**125,357**	**38,129,786**

PP&E assets consist of costs less depletion, depreciation and impairment of the Company's assets in Argentina and Canada. The amounts capitalized as PP&E assets in Argentina at March 31, 2013 includes $2.8 million of Value Added Tax ("VAT") (December 31, 2012 - $2.4 million). VAT is payable on goods and services supplied to the Company and is not recoverable from the Government of Argentina, however the Company is allowed to retain VAT on any sales that it collects to the extent of the VAT recorded and paid on previous expenditures.

Depletion expense for the three months ended March 31, 2013 included $14.5 million (March 31, 2012 – $12.0 million) for estimated future development costs associated with proved and probable reserves.

At March 31, 2013, the net book value of the Argentinean and Canadian PP&E assets were $11.5 million (December 31, 2012 - $10.9 million) and $26.6 million (December 31, 2012 - $18.6), respectively.

5. Exploration and Evaluation Assets

$CDN	
Cost	
At December 31, 2011	17,338,614
Acquired on business combination	8,455,000
Additions	11,924,453
Effect of change in foreign exchange rates	(1,958,188)
At December 31, 2012	35,759,879
Additions	6,943,914
Effect of change in foreign exchange rates	(520,811)
At March 31, 2013	**42,182,982**

E&E assets consist of the Company's intangible exploration projects in Argentina pending the determination of proven or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. E&E assets are not depreciated or depleted.

The amounts capitalized as Argentina E&E assets at March 31, 2013 before impairment losses included $5.5 million of VAT (December 31, 2012 - $5.6 million). During the three months ended March 31, 2013, share-based payments directly related to exploration and evaluation activities totaling $5,342 (2012 – $11,846) were capitalized.

At March 31, 2013, the net book value of the Argentinean and Canadian E&E assets were $25.5 million (December 31, 2012 - $25.2 million) and $16.7 million (December 31, 2012 - $10.6), respectively.

6. Decommissioning Obligations

$CDN	**Three Months ended March 31 2013**	**Year ended December 31 2012**
Balance, beginning of period	3,954,732	330,981
Assumed in business combination	-	3,315,042
Incurred from development activities (Note 4)	156,884	197,912
Accretion expense	37,008	72,822
Revision of estimates	(58,990)	82,780
Obligations settled	(58,950)	-
Effect of change in foreign exchange rates	(12,003)	(44,805)
Balance, end of period	**4,018,681**	3,954,732

The total undiscounted amount of cash flows required to settle Madalena's decommissioning obligations is approximately $6.8 million (December 31, 2012 – $7.0 million) with the majority of the costs to be incurred between 2018 and 2030. The decommissioning obligations have been estimated using existing technology at current prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability. Inflation rates of 10.6% and 2% were used to calculate the future value of the undiscounted decommissioning obligations in Argentina and Canada, respectively (December 31, 2012 – 10.8% and 2%). The risk free rate used to discount the liability was 14.07% (December 31, 2012 – 14.66%) in Argentina and 1.0 to 2.45% (December 31, 2012 – 1.0 to 2.45%) in Canada.

7. Share Capital

The Company is authorized to issue an unlimited number of common shares and preference shares. The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share.

Share Capital

	Number of Shares	Share Capital $CDN
Balance at December 31, 2011	260,020,517	77,862,747
Share issuance	54,000,000	67,500,000
Share issuance costs	-	(4,014,574)
Stock options exercised	286,668	328,041
Balance at December 31, 2012	314,307,185	141,676,214
Stock options exercised	1,783,700	626,951
Balance at March 31, 2013	**316,090,885**	**142,303,165**

8. Stock Based Compensation

Under the Company's stock option plan, directors, officers, employees and certain consultants are eligible to receive options to acquire common stock of the Company. The exercise price of the granted options is no less than the closing trading price per share on the last day preceding the date of the grant. Total options granted cannot exceed 10% of the issued and outstanding common shares of the Company. Options granted to directors, officers, employees and consultants may vest immediately or over three years on each anniversary of the grant date. Options expire three to five years from the grant date. There are no cash settlement alternatives for employees under the Company's stock option plan.

Movements in the number of stock options outstanding and their related weighted average exercise prices are summarized as follows:

Number of share options

	Number of options	Weighted average exercise price $CDN
Outstanding at December 31, 2011	13,977,034	0.57
Granted	9,480,000	0.34
Exercised	(286,668)	0.65
Forfeited	(36,666)	0.74
Expired or cancelled	(800,001)	0.60
Outstanding at December 31, 2012	22,333,699	0.47
Granted	1,260,000	0.41
Exercised	(1,783,700)	0.19
Forfeited	(1,083,336)	0.43
Expired or cancelled	(30,000)	0.41
Outstanding at March 31, 2013	**20,696,663**	**0.49**
Exercisable at March 31, 2013	**11,246,663**	**0.62**

9. Related Parties

A director of the Company is a partner of a law firm that provides legal services to the Company. During the three months ended March 31, 2013, the Company incurred fees of $0.2 million (2012 - $0.1 million) from this firm for legal fees.

A director of one of the Company's subsidiaries provides legal and consulting services to the Company. During the three months ended March 31, 2013, the Company incurred fees of $nil (2012 - $0.2 million) for such services.

10. Supplemental Cash Flow Information

Changes in non-cash working capital

Three months ended March 31 $CDN	2013	2012
Trade and other receivables	(1,162,021)	74,694
Prepaid expenses and deposits	(152,887)	(73,710)
Inventory	(3,811)	(27,307)
Trade and other payable	4,719,077	1,724,971
Change in non-cash working capital	**3,400,358**	1,698,648
Attributable to:		
Operating activities	(1,460,634)	1,223,011
Financing activities	-	105,441
Investing activities	4,860,992	370,196
	3,400,358	1,698,648

11. Commitments

The Company has rental commitments (including estimated operating costs) relating to leased office premises as follows:

Year	**$CDN**
2013	157,500
2014	143,000
2015	8,100
	308,600

Development & Exploration Commitments

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 (Coiron Amargo Norte) was approved by the Province of Neuquén. In addition, the exploration period for the remainder of the block (Coiron Amargo Sur) was extended to November 8, 2013. Madalena's remaining share of future development commitments associated with Coiron Amargo Norte as of March 31, 2013 is approximately US$4.1 million plus VAT.

The extension of Coiron Amargo Sur to November 8, 2013 required additional work commitments of US$ 33.5 million (Madalena share – US$ 13.0 million of which approximately US$ 4.9 million plus VAT remains outstanding as of March 31, 2013). The exploration block (Coiron Amargo Sur) qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

On the Cortadera Block in the Province of Neuquén the joint venture submitted a new proposal during the first quarter of 2013 to formalize an extension of the initial exploration period and subsequent exploration periods based on a proposed work plan for the block. The joint venture is currently working towards approval of an agreed upon work program for the block. As at March 31, 2013 the Company had incurred cumulative costs of approximately $2.4 million with respect to this block. A delay or rejection of the extension terms may result in an impairment of these costs.

In March 2012 the exploration period for the Curamhuele block was extended to November 8, 2013. The extension of the block required additional work commitments of US$ 17.6 million (Madalena share – US$ 17.6 million of which approximately US $13.7 million plus VAT remains outstanding). The exploration block qualifies for an additional one year extension after November 13, 2013. In December 2012, Madalena initiated the process to qualify the Curamhuele block for an additional one year extension. Throughout the first quarter of 2013, the Company has made steady progress with respect to this application and is currently in the advanced stages of the approval process.

12. Loss Per Share

The following table reconciles the weighted average number of common shares used in the basic and diluted net loss per share calculations:

Basic and diluted loss per share

Three months ended March 31	2013	2012
Net loss	(2,319,734)	(1,167,365)
Weighted average number of common shares:		
Basic and diluted	314,991,656	274,955,663

All share options were excluded from the preceding calculation of diluted earnings per share as their effect is anti-dilutive.

13. Financial Instruments and Risk Management

The Company is exposed to various risks that arise from its business environment and the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, policies and procedures. The following outlines the Company's risk exposures and explains how these risks and its capital structure are managed.

Market risk

Changes in commodity prices, interest rates and foreign currency exchange rates can expose the Company to fluctuations in its net earnings and in the fair value of its financial assets and liabilities.

Commodity price risk

Price fluctuations for both crude oil and natural gas are determined by world supply and demand factors. Additionally, a significant part of the Company's oil and gas revenue is from an oil property in Argentina. Oil prices in Argentina are subject to domestic market discounts which result in prices significantly below benchmark prices. The Company has the following physical natural gas and oil contracts.

Physical natural gas and oil contracts

Type	Period	Volume	Price Floor	Price Ceiling	Index
Natural gas fixed	April 1, 2013 to Oct. 31, 2013	300 GJ/d	$3.00 CDN	$3.00 CDN	AECO
Natural gas fixed	April 1, 2013 to Oct. 31, 2013	300 GJ/d	$3.20 CDN	$3.20 CDN	AECO
Natural gas fixed	April 1, 2013 to Oct. 31, 2013	300 GJ/d	$4.47CDN	$4.47 CDN	AECO
Crude oil call options	Jan. 1, 2014 to Dec. 31, 2014	50 bbl/d	-	$100.00 US	WTI

The fair value of commodity contracts is determined by discounting the difference between the contracted price and published forward price curves as at the balance sheet date, using the remaining contracted petroleum and natural gas volumes. The fair value of commodity contracts as at March 31, 2013 was a net liability and an unrealized loss of $65,114 (2012 - $nil). The commodity contracts are classified as level 2 within the fair value hierarchy.

14. Segmented information

The Company is engaged primarily in the exploration and development of oil and gas. The Company's reportable segments are based on geographic area and comprise Canada and Argentina. The Company's operations in Barbados are not a reportable segment and are included in the Argentina segment because the level of activity in Barbados was not significant at March 31, 2013 and March 31, 2012.

As at and for three months ended March 31, 2013			
CDN$	**Canada**	**Argentina**	**Total**
Total assets	69,054,522	40,914,793	109,969,315
Total liabilities	(16,458,355)	(3,713,118)	(20,171,473)
Revenues	2,265,853	1,343,890	3,609,743
Loss	(1,731,888)	(587,839)	(2,319,727)
Depletion and depreciation	745,700	518,733	1,264,433
Interest and other Income	103,001	-	103,001
Capital expenditures	14,715,930	2,258,952	16,974,882

As at and for three months ended March 31, 2012			
CDN$	**Canada**	**Argentina**	**Total**
Total assets	71,945,284	36,405,116	108,350,400
Total liabilities	(323,797)	(5,017,002)	(5,340,799)
Revenues	-	396,773	396,773
Loss	(684,610)	(482,755)	(1,167,365)
Depletion and depreciation	2,500	78,063	80,563
Interest and other income (expenses)	81,456	(3,942)	77,514
Capital expenditures	9,822	6,681,842	6,691,664