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MADALENA VENTURES INC. FINANCIAL AND OPERATING RESULTS

May 29, 2008. Madalena Ventures Inc. ("Madalena" or the "Company") (TSX Venture: MVN) today announced its financial and operating results for the three months ended March 31, 2008.

HIGHLIGHTS

For the period ended	March 31, 2008	March 31, 2007
Financial		
Petroleum and natural gas revenues	$ 195,309	$ 145,408
Interest income	91,628	190,056
Funds from operations(1)	(305,791)	(133,776)
Funds from operations per common share - basic and diluted(1)	(0.003)	(0.001)
Cash flow from operating activities	(122,403)	(21,626)
Cash flow from operating activities - basic and diluted	(0.001)	(0.000)
Net income (loss) for the period	(188,767)	(1,109,773)
Net income (loss) per common share - basic and diluted	(0.002)	(0.010)
Capital expenditures	$ 2,058,566	$ 701,188
Operations		
Daily production		
Oil (bbls/d)	8.7	-
Natural gas (Mcf/d)	114.1	161.0
Natural gas liquids (bbls/d)	4.5	6.0
Oil equivalent (boe/d)(2)	32.2	33.2
Average sales price		
Oil ($/bbl)	94.46	-
Natural gas ($/mcf)	8.53	8.03
Natural gas liquids ($/bbl)	78.39	50.41
Operating netback per boe (6:1)		
Petroleum and natural gas	$ 66.66	$ 48.60
Royalties	16.98	7.35
Operating expenses	17.40	18.12
Operating netback	$ 32.28	$ 23.13

1) Funds from operations, funds from operations per common share, and operating netback are Non-GAAP measurements – see the discussion under Non-GAAP Measurements above.

Highlights of the quarter include:

- Drilling begins on TT-2 well in Remada Sud area of Southern Tunisia on March 31, 2008.
- Progress towards drilling operations in Argentina continues.
- 2.45 million dollar private placement announced.

President’s Message

Madalena made significant progress in developing and enhancing its existing exploration opportunities during the first quarter of 2008. In the first quarter of 2008 the Company completed its evaluation of the seismic programs on the Remada Sud permit in southern Tunisia. The Remada Sud permit is located in the Ghadames Basin and is 1.2 million acres (4,848 square kilometers) in size. The seismic evaluation outlined several drillable features on the permit and Madalena exercised its option to participate in the drilling of the first test well pursuant to the terms and conditions of the Seismic Option Agreement negotiated between Madalena and Storm Ventures International Inc. The TT 2 test well commenced drilling on March 31, 2008. Target depth was reached at 1500 meters (4,900 feet) in the Ordovician Kasbah Leguine formation on April 16th, 2008, and a 60 meter (200 foot) core was cut through the potential reservoir. Upon the initial review of the core, the pre-drilling expectation of encountering a 50 meter (165 foot) potential hydrocarbon column in Ordovician quartzites appears to have been achieved. The well was cased to total depth and the core is currently undergoing extensive core analysis in order to determine the optimal stimulation program for the well. The stimulation program is currently scheduled for July 2008. Madalena has earned a 15% working interest in approximately 600,000 acres (2,424 square kilometers) by the drilling of the TT 2 well. Madalena retains the option to drill a second earning well to earn a 15% working interest in an additional 600,000 acres (2,424 square kilometers).

Progress on the Hammamet block in the Pelagian Basis offshore Tunisia is also progressing well. The 3D offshore seismic program conducted in 2007 indicates the presence of several high quality features that the Company is evaluating for potential drilling during 2008/2009. A study of the 3D seismic program is also ongoing to evaluate the potential reactivation of the Tazerka field located on the Hammamet block which recovered approximately 21 million barrels of oil prior to its deactivation. Madalena maintains the option to participate for 30% in the drilling of a well on the Hammamet block to earn a 15% working interest in the entire 1.1 million acre block.

In Argentina, Madalena continues to make progress in the development of the Company’s exploration opportunities on the Coiron Amargo, Curamhuele, and Cortadera exploration blocks. Seismic data analysis on a 350 square kilometer 3D program on the Coiron Amargo block was completed in the first quarter revealing numerous high quality drilling opportunities. The Company is currently evaluating the availability of drilling contractors for the drilling of the first well on Coiron Amargo with an anticipated spud date in Q3 2008 subject to rig availability. At Curamhuele and Cortadera, the Company has finalized negotiations with seismic contractors for the extensive 3D seismic programs designed over both blocks. Baseline and seismic environmental evaluations are currently ongoing on the blocks and it is anticipated the programs will commence in Q3 2008. In addition, the Company is evaluating two existing well bores on the Curamhuele block which will undergo testing during Q2 2008 in order to determine the potential for productivity and reserves, and provide us with key information for our upcoming drilling program on the block.

We are entering into an exciting period for Madalena shareholders as we begin to actively drill and develop the opportunities that have been assembled from the ground floor over the past two years. In Argentina, the Federal Government recently announced a new gas incentive program for the country which will significantly increase the netbacks for natural gas producers. A recent news article indicates that the provinces anticipate an announcement by the Federal Government which would also increase netbacks for oil producers. Madalena’s blocks have significant prospectivity for both oil and gas. Madalena anticipated netback increases when it acquired the blocks in Argentina, and we believe the timing of the announcements provides us with a competitive advantage over those just entering the Argentine market, as well as enhanced future cash flow from any production on the blocks.

The Management of Madalena is very excited for the future of our Company as we move into the exploration and development phases of the Tunisian and Argentina exploration opportunities. Operations in foreign jurisdiction generally have a longer time frame than what is experienced in the Western Canadian Basin and we have undertaken a thorough internal process to secure the essential contractors and equipment required to effectively implement our exploration and drilling programs. We appreciate the continued patience of our shareholders and we look forward to providing you with regular updates as we move into this exciting phase of the Company's development.

Ken Broadhurst

President and Chief Executive Officer

Madalena's 2008 first quarter financial statements and related MD&A are available on the Company's website at www.madalena-ventures.com as well as on the SEDAR website at www.sedar.com.

About Madalena

Madalena Ventures Inc. is an international oil and gas exploration and development company headquartered in Calgary, Alberta, Canada. Madalena's objective is to create value for its shareholders through the discovery, and development of oil and gas reserves. Madalena is focused on opportunities in Argentina and Tunisia and has production operations in Alberta. Madalena is listed on the TSX Venture exchange under the symbol "MVN". Visit www.madalena-ventures.com for more information.

Forward Looking Statements

Certain information set forth in this press release, including a discussion of future plans and operations, contains forward looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond management's control, including but not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, environmental risks industry competition, availability of qualified personnel and management, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources, as well as risks inherent in operating in foreign jurisdictions, including varying judicial or administrative guidance on interpreting rules and regulations and a higher degree of discretion on the part of governmental authorities. Actual results, performance or achievement could differ materially from those expressed in or implied by these forward-looking statements.

The TSX Venture exchange does not accept responsibility for the adequacy or accuracy of this release.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is provided by the management of Madalena Ventures Inc. ("Madalena" or the "Company"), for the three months ended March 31, 2008 with comparative information for the corresponding period in the prior year. This MD&A should be read in conjunction with the Company's MD&A and audited financial statements for the year ended December 31, 2007 and the unaudited interim consolidated financial statements for the period ended March 31, 2008. The Company's financial statements and other public disclosure documents, including its annual information form ("AIF"), are filed on SEDAR at www.sedar.com. The commentary in this MD&A is based on information available to May 28, 2008. Unless otherwise stated, all dollar amounts are expressed in Canadian dollars.

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

Forward-looking Statements

This MD&A contains forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on current expectations, estimates, and projections that involve numerous risks and uncertainties, many of which are beyond the Company's and management's control. These risks and uncertainties could cause actual results to differ materially from those anticipated by the Company and described in this MD&A. These risks and uncertainties include, but are not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, imperfection of reserve estimates, environmental risks, industry competition, availability of qualified personnel and management, stock market volatility, and timely and cost-effective access to sufficient capital from internal and external sources. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change except as required by law.

Non-GAAP Measurements

This MD&A contains the terms "funds from operations", "funds from operations per share", "netback" and "operating netback", which are not defined under Generally Accepted Accounting Principles ("GAAP"), and may not be comparable to similar measures reported by other companies. Management considers the terms "funds from operations", and "funds from operations per share" to be useful supplementary information for investors to assist them in evaluating if the Company is generating enough funds to cover future operations and capital spending. Funds from operations is defined as cash flow from operating activities before changes in non-cash working capital items, as shown in the following table:

For the periods ended	March 31, 2008	March 31, 2007
Cash flow from operating activities	$ (122,403)	$ (21,626)
Change in non-cash working capital	(183,388)	(112,150)
Funds from operations	$ (305,791)	$ (133,776)

Funds from operations per share is calculated is calculated using the same number of weighted average shares outstanding used in calculating net income per share.

Netback and operating netback is defined as total petroleum and natural gas revenue less royalties, operating expenses, and transportation expenses. Management considers the terms "netback" and "operating netback" as a useful measure for comparing the Company's price realization and cost performance against industry competitors. There is no GAAP measure that is reasonably comparable to operating netback or netback. See operating netbacks under the discussion of results of operations for the calculation of operating netbacks..

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance, that information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under various securities legislation, are recorded, processed, summarized, and reported within the time limits specified by the particular securities legislation, and include controls and procedures designed to ensure that information to be disclosed by the Company is accumulated and communicated to management to allow timely decisions regarding the required disclosure. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company are responsible for designing DC&P, or causing them to be designed under their supervision, to provide reasonable assurance that material information related to the Company is made known to them by others within the organization.

The CEO and CFO have evaluated the effectiveness of the Company's DC&P as of March 31, 2008 and have concluded that the DC&P provide a reasonable level of assurance that material information related to the Company is recorded, processed, summarized, and reported in a timely fashion and that material information is made known to them by others within the organization except as described below.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") is a process designed by, or under the supervision of, the CEO and CFO, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP, and includes those policies and procedures that:

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of the assets of the Company;

(b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors; and

(c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets, that could have a material affect on the annual or interim financial statements.

ICFR have been designed under the supervision of the CEO and CFO of Madalena to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. However in designing the ICFR, management has identified the following significant weaknesses inherent in the system:

- A lack of segregation of incompatible duties within the accounting and reporting function.
- The lack of sufficient financial reporting personnel with enough technical accounting knowledge in all areas to address all complex and non-routine accounting transactions that may arise.
- A lack of sufficient information system controls with respect to access and documentation of spreadsheet information.

Management is of the view that the size of the Company and cost of correcting these inherent weaknesses does not justify the additional assurance remediation will provide, and therefore does not plan to remediate these weaknesses. Management believes that the small size of the Company, allows the board of directors and management to possess significant knowledge of all events occurring in the Company which mitigates the possibility of a material error from taking place.

There were no changes in the Company's ICFR during the first quarter of 2008 that have materially affected, or are reasonable likely to materially affect the Company's ICFR.

OVERVIEW

In the first quarter of 2008 Madalena and its partners completed their evaluation of seismic data, selected a drilling site, and started drilling on the TT-2 well on the Remada Sud concession in the southern part of Tunisia, near the Libya border. On April 28, 2008 the Company announced that the well had reached its target depth. A 60 meter (200 foot) core sample was cut and has been sent for testing and analysis. Stimulation of the formation based on the results of the core analysis will determine commerciality. The Company expects to complete these tests during Q3 subject to the availability of proper equipment.

In Argentina, the Company continues to push towards drilling its first test wells in the Neuquen basin. The Company is currently in discussion with contractors to secure a rig for the commencement of the drilling program which is scheduled to commence in Q3 2008 subject to rig availability. Our branch in Argentina became fully operational with the approval of the authorities to operate financially within Argentina, in addition to the hiring of a full time employee in Buenos Aires. Environmental studies and geological site visits are in process and negotiations with seismic acquisition companies have been finalized as we move towards the commencement of extensive 3D seismic programs on two of the blocks in Argentina. Steps to evaluate and test two existing well bores located on the Argentine concessions were also well under way in the first quarter

On April 4, 2008 the Company announced that it had closed a non-brokered private placement to issue 4,375,003 common shares at $0.56 per share for total proceeds of $2,450,000.

RESULTS OF OPERATIONS

Production

Madalena averaged 32 boe/d in the first quarter of 2008, compared to 33 boe/d for the year the first quarter of 2007. Although there was no significant change in the average volume per day, there was a change in the components of the production. In Q1 of 2008 the Company averaged 9 bbls/d bbl/s of oil production compared to no oil production in Q1 2007 because the Company's only oil producing property did not start producing until the second quarter of 2007. Oil production for the first quarter of 2008 is not reflective of average oil production of approximately 18 bbls/d for the last three quarters, because a key well was shut-in during most of February to repair a down-hole pump. Average gas production volumes fell from 161 mcf/d in the first quarter of 2007, to 114 mcf/d in the first quarter of 2008. The reduction in gas volumes reflects normal declines on wells that were brought on-stream in the first quarter of 2007. Natural gas and natural gas liquids accounted for 100 percent of the Company's production in the first quarter of 2007 and 62% in the first quarter of 2008.

Production Revenue

Madalena received an average of $94.46/bbl for oil, $8.53/Mcf for natural gas and $78.39/bbl for natural gas liquids in the first quarter of 2008, compared to $8.03/Mcf for natural gas and $50.41/bbl for natural gas liquids in the first quarter of 2007. The price increases reflect world and North American price increases and are comparable to quoted market prices of 98.93/bbl for oil, 8.11/Mcf for natural gas and 78.42/bbl for natural gas liquids once these prices are adjusted for transportation and higher heat content values.

Revenues for the first quarter of 2008 were $74,438 (38%) for oil, $88,578 (45%) for natural gas, and $32,293 (17%) for the first quarter of 2008, compared to $116,242 (80%) for natural gas and $29,166 (20%) for natural gas liquids in the first quarter of 2007.

Interest Income

Interest income for the first quarter of 2008 amounted to $91,628 compared to $190,056 for the first quarter of 2007. Interest income declined in the first quarter of 2008 compared to the first quarter of 2007 as more of the cash received from the 2006 financing was used to fund the Company's exploration activities during 2007 and the first quarter of 2008 leaving less funds available for investment.

Royalties

Crown royalties amounted to $49,747 for the first quarter of 2008 compared to $22,000 for the first quarter of 2007. Average royalties were $16.98/boe in the first quarter of 2008 compared to $7.35/boe for 2007. The increase in royalty rates reflects two deep gas wells which received royalty holidays in the first quarter of 2007, and no longer receive these royalty reductions.

Operating expenses

Total production expenses for the first quarter of 2008 were $48,708 or $16.62/boe compared to $52,368 or $17.50/boe for 2007. Transportation costs amounted to $2,282 or $0.78/boe compared to $1,849 or $0.60/boe for 2007. Production expenses decreased slightly in 2008 as there were less wells producing. Production expenses in general are higher than anticipated due to additional charges by the operator for unanticipated well related maintenance.

Operating Netbacks

Operating netbacks which are a non-GAAP measurement are shown in the following table:

For the period ended		March 31, 2008			March 31, 2007		
Netback per boe (6:1)		Amount		Per boe (6:1)	Amount		Per boe (6:1)
Petroleum and natural gas revenue	$	195,309	$	66.66	$ 145,408	$	48.60
Royalties		49,747		16.98	22,000		7.35
Production expenses		48,708		16.62	52,368		17.50
Transportation costs		2,282		0.78	1,849		0.62
Operating netback	$	94,572	$	32.28	$ 69,191	$	23.13

Operating netbacks are a non-GAAP measurement – see discussion under Non-GAAP Measurements above.

Operating netbacks increased to $32.28/boe in the first quarter of 2008, compared to $23.13 in 2007. The increase in netbacks is because the Company derived more of its production from its oil producing property which resulted in higher revenue per boe in 2008 than in 2007. This higher revenue number was offset by a more than two times increase in royalty rates per boe.

General and administrative costs

General and administrative ("G&A") costs were $474,488 for the first quarter of 2008 compared to $393,023 for the first quarter of 2007. G&A increased in 2008 as more travel time and office costs were incurred in Argentina in 2008 compared to 2007.

The Company capitalized approximately $55,000 of G&A associated with geological consulting and legal consulting in the first quarter of 2008, compared to approximately $31,000 in 2007.

Stock-based compensation

Stock-based compensation expense ("SBC") in the first quarter of 2008 amounted to $161,691 compared to $823,392 in the first quarter of 2007. The costs recorded in the first quarter of 2008 reflect the amortization of previously granted options over their three year vesting period whereas the costs recorded in 2007 also reflect a one time adjustment in the amount of $679,000 for options transferred from one director to two other directors during the quarter.

The Company capitalized $39,000 of SBC to foreign cost centers in the first quarter of 2008 compared to $4,000 of SBC to foreign property and equipment accounts in the fist quarter of 2007. The SBC capitalized reflects the estimated cost of options granted to the Company's geological and legal consultants for evaluating exploration opportunities in the foreign jurisdictions. At March 31, 2008, the Company has an estimated $1,600,000 of unamortized stock-based compensation costs that will be charged to income over the remaining vesting period of the options outstanding.

Depletion, depreciation and accretion

Depletion and depreciation expense for petroleum and natural gas assets is calculated using the unit-of-production method based on total estimated proved reserves. Depreciation on office furniture and fixtures and on leasehold improvements is calculated on a declining balance basis or on a straight line basis at rates designed to amortize the cost of the asset over its estimated useful life.

Depletion and depreciation expense for petroleum and natural gas assets for the first quarter of 2008 was $94,000 compared to $147,000 for the first quarter of 2007. Depreciation for the first quarter of 2008 was $4,100 compared to $4,000 for the first quarter of 2007. Depletion and depreciation expense for petroleum and natural gas assets decreased in the first quarter of 2008 compared to 2007 because ceiling test write downs in the second and fourth quarters of 2007 reduced the carrying value of the properties which as the basis for calculating the unit-of-production method of depletion.

Depletion was not recorded in Argentina or Tunisia. These cost centers are considered to be in the development stage where all costs reasonably attributable to exploring for oil and gas in these areas are capitalized. Management feels that the costs capitalized to date will be recoverable from future business activities in the area.

The provision for accretion of asset retirement costs was $1,452 for the first quarter of 2008 and $1,605 for the first quarter of 2007.

Canadian oil and gas property carrying value

At March 31, 2008 the Company has estimated the fair value of its proved Canadian oil and gas properties and compared it to the carrying value of these properties. As a result of this estimate of value, the Company has determined that the estimate of fair value of the properties is equal to or exceeds the carrying value at March 31, 2008 and that no impairment charge is required. There was no ceiling test charge in the first quarter of 2007 either.

Foreign exchange gains (losses)

In the first quarter of 2008 the Company's branch operations in Argentina became fully operational with the opening of the branch's bank account and the addition of a full time employee in Argentina. Also in January, the Company completed the creation of two wholly owned subsidiaries in Barbados, and transferred the Company's interests in the Tunisian seismic option agreements to these subsidiaries. As a result of these operational changes, the Company now has exposure to foreign currency exchange risk on it's investment in securities denominated in US dollars in Canada, and on its transactions and bank accounts in Barbados (in US dollars) and in Argentina (in Argentine pesos).

Business conducted in Tunisia, through our Barbados subsidiary, and Argentina are considered "integrated foreign operations" for accounting purposes. Therefore, the foreign operations financial statements are translated into Canadian dollars using the temporal method. Under the temporal method, the Company translates foreign denominated monetary assets and liabilities at the exchange rate prevailing at year end; non-monetary assets, liabilities and related depletion and depreciation are translated at historic rates; revenues and expenses are translated at the average rate of exchange for the period; and any resulting foreign exchange gains or losses are included in earnings.

In the first quarter of 2008 the Company recorded foreign exchange gains of $360,765 on the conversion of its US dollar investments and on the conversion of its US dollar denominated balances in the Barbados subsidiary and on its Argentine pesos denominated balances in its Argentine branch. Currently, the Company does not hedge against fluctuations in foreign exchange rates.

Net loss from operations

The net loss for the first quarter of 2008 was $188,767 compared to a net loss of $1,109,773 for the first quarter of 2007. The decrease in the net loss for 2008 reflects foreign exchange gains recorded on foreign denominated cash balances which were not present in 2007, a slight increase in general and administrative costs over 2007 with respect to additional costs incurred in Argentina, and decrease in stock-based compensation over 2007 with respect to a one time charge for options transferred between directors which took place in 2007.

Income taxes

The Company has not recorded a provision for recovery of income taxes in the first quarter of 2008 or in the first quarter of 2007.

Future income tax assets and liabilities arise due to the difference between the tax basis of assets and their respective accounting carrying cost. At March 31, 2008 the Company has Canadian tax losses and other cumulative tax deductions in excess of net book values. The income tax benefit of these future tax assets have not been recognized in the financial statements as their recoverability is uncertain at this time.

Capital Expenditures

Madalena spent $2,058,566 on petroleum and natural gas properties and office furniture and fixtures in the first quarter of 2008 compared to $701,188 in the first quarter of 2007. In Canada, there were less costs incurred in 2008 than in 2007 as the Edson and Brazeau area drilling programs came to an end. In Argentina, the Company recovered approximately $360,000 of previously incurred costs relating to its Coiron Amargo and Curamhuele blocks from our operator/partner. The operator elected to participate in the properties under the terms of our joint operating agreements on the properties and agreed to pay 22.22% of costs already incurred by the Company on the properties. The expenditures incurred in Q1 2008 compared to Q1 2007 are summarized in the following table:

For the period ended		March 31, 2008		March 31, 2007
Canada:				
Oil and gas properties:				
Drilling and completions	$	33,044	$	541,052
Well equipment and production facilities		2,801		127,930
Land		-		49
Office furniture and equipment		140		792
		35,985		669,823
Argentina - explorartion costs		(60,057)		15,489
Tunisia - exploration costs		2,082,638		15,876
Total capital expenditures	$	2,058,566	$	701,188

LIQUIDITY AND CAPITAL RESOURCES

Presently, Madalena is in the initial exploration stage on its international oil and gas activities. The Company's main sources of revenues are Canadian oil and gas production and interest which are insufficient to cover operating costs and overhead, resulting in negative funds from operations. In the three months ended March 31, 2008 the Company had negative cash flow from operations of $122,403 compared to negative $21,626 for the first quarter of 2007, and negative funds from operations of $305,791 in the first quarter of 2008, compared to negative funds from operations in the first quarter of 2007 of $133,776. In prior periods, the Company raised funds from equity financings to pay for exploration activities and overhead expenses. Continuing operations and the recovery of property and equipment costs is dependent on the Company's ability to identify commercial oil and gas reserves, generate profitable operations and obtain sufficient funds to complete development activities.

At March 31, 2008 Madalena had working capital of $11,232,647 compared to working capital of $13,236,239 at December 31, 2007. Working capital decreased in 2008 as the Company spent its working capital on exploration activities in Canada, Argentina and Tunisia.

The Company has agreed to work programs approved by the Province of Neuquen in Argentina for three exploration blocks in the Province. The total work programs call for $10,500,000 USD to be spent over three years on the three exploration blocks granted to the Company and its partners. The Company's share of these work programs will be 78.8% or $8,274,000. In Canada, the Company expects to spend $380,000 on proved properties to complete its commitment on the Canadian drilling program. All expected expenditures will be funded from the Companies existing working capital.

On April 4, 2008, the Company announced the closing of a non-brokered private placement for the issuance 4,375,003 common shares at $0.56 per share for total proceeds of $2,450,000. These funds will be used to meet the Companies capital expenditure commitments.

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of 2008 there were no transactions with related parties. In the first quarter ended March 31, 2007 two directors of the Company were also directors of a public exploration company with which Madalena was engaged in joint venture operations. All of the Company's oil and gas revenues, royalties and operating expenses for the first quarter of 2007 were derived from this joint venture. At March 31, 2007 the Company had accounts payable due to this joint venture partner of $271,943. In the fall of 2007, the two directors of Madalena resigned from the other public company. In the first quarter of 2007 the Company used the services of a law firm in which one of the directors was a partner. During the quarter ended March 31, 2007 the Company expended $55,000 on services obtained from this firm. In the fall of 2007 Madalena's director resigned from the law firm.

SHARE INFORMATION

The Company has 107,368,699 common shares, 10,180,000 stock options and 12,577,625 warrants to purchase common shares outstanding at March 31, 2008. There was no common stock issued during the first quarter of 2008 compared to 477,250 common shares which were issued in the first quarter of 2007 pursuant to the exercise of warrants.

At May 28, 2008 the Company had 111,743,702 common shares, 10,180,000 stock options outstanding. On May 2, 2008 all of the outstanding warrants to purchase common shares expired without being exercised.

BUSINESS RISKS

The oil and gas industry involves inherent risks which include but are not limited to the uncertainty of the exploration process and finding new reserves, securing markets for production from existing reserves, commodity price fluctuations, exchange rate fluctuations, interest rate changes, and changes in government regulations related to pricing, royalties, taxes, land fees, allowable production volumes, and environmental requirements. The oil and natural gas industry is intensely competitive and the Company competes with a number of companies that may have better access to capital.

The Company's ability to increase reserves in the future will depend on its ability to select and acquire suitable prospects and the funds required to develop those prospects in a timely fashion. The ability of equity or debt financing is affected by many factors, some of which are not controllable by the Company.

The Company is focused on the international oil and gas exploration market. Conducting oil and gas exploration and development activities in foreign jurisdictions creates inherent risks in addition to oil and gas exploration risks which include but are not limited to currency instability, potential civil disturbances, currency and funds movement controls, price controls, political instability, changes in foreign ownership restrictions, and potential expropriation of property.

For addition detail regarding the Company's risks and uncertainties, refer to the Company's most recent AIF on SEDAR at www.sedar.com.

NEW ALBERTA ROYALTY REGIME

In October of 2007 the Government of Alberta announced that it would be altering the royalty regime in the province effective January 1, 2009. At December 31, 2007 the Company evaluated the affect of the increased royalty rates on its existing reserves with the assistance of a group of independent petroleum engineers. At December 31, 2007 the Government had not yet clarified the details of all aspects of the royalty changes, therefore the independent group of petroleum engineers provided a range of estimated affects of the royalties on the Company's production. The evaluation concluded that the Company's future cash flow could be reduced by a range of values of between approximately $358,000 and $179,000 on a undiscounted future cash flow basis. The Company believes that these estimates have not changed as of March 31, 2008. At December 31, 2007 the impact of these changes were included in the ceiling test calculation so no additional charges would be anticipated from the increased royalties.

CONTRACTUAL OBLIGATIONS

The Company has committed to a lease for office premises terminating on June 15, 2011. The estimated obligation at March 31, 2008, including operating costs at current levels, is $391,734. The Company has agreed to work programs approved by the Province of Neuquen in Argentina for three exploration blocks in the Province. The total work programs call for $10,500,000 USD to be spent over three years on the three exploration blocks granted to the Company and its partners. The Company's share of these work programs will be 78.8 % or $8,274,000. In Argentina the Company has committed to two apartment leases, one expires in December of 2008, and the other expires in October of 2009.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies used by Madalena are disclosed in note 2 to the December 31, 2007 audited financial statements. Preparing financial statements in accordance with Canadian GAAP requires management to make judgments and estimates with respect to the critical accounting policies. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position. There were no changes to Madalena's critical accounting estimates during the first quarter of 2008.

CHANGES IN ACCOUNTING POLICIES

<u>Principles of Consolidation</u>

In the first quarter of 2008 the Company adopted the Canadian accounting standard for "Consolidated Financial Statements" which requires the consolidation of all wholly owned subsidiaries and elimination of all inter-company balances. The standard was adopted in the first quarter of 2007 as the Company created two wholly owned subsidiaries in Barbados and sold its interests in the Tunisian seismic option agreements to the subsidiaries.

<u>Foreign Currency Translation</u>

In the first quarter of 2008 the Company adopted the Canadian accounting standard for "Foreign Currency Translation". In the first quarter of 2008 the Company incorporated wholly owned subsidiaries in Barbados to carry on its Tunisian business, and completed the implementation of its Argentine branch operations. Business conducted in Tunisia and Argentina is considered to be an "integrated foreign operation" for accounting purposes and, therefore, the foreign operations financial statements are translated into Canadian dollars using the temporal method. Under the temporal method, the Company translates foreign denominated monetary assets and liabilities at the exchange rate prevailing at period end; non-monetary assets, liabilities and related depletion, depreciation, and accretion are translated at historic rates; revenues and expenses are translated at the average rate of exchange for the period; and any resulting foreign exchange gains or losses are included in earnings.

Capital disclosures

On January 1, 2008 the Company adopted the new Canadian accounting standard for “Capital Disclosures” which requires disclosure of objectives, policies and processes for defining and managing capital. Note 3 to the unaudited March 31, 2008 consolidated financial statements contains further disclosures with respect to this standard.

Financial instruments disclosure and presentation

On January 1, 2008 the Company adopted the new Canadian accounting standards for “Financial Instruments – Disclosures” and “Financial Instruments – Presentation”. These standards require disclosure of the significance of financial instruments to an entity’s financial position and performance, the risks associated with the financial instruments, and how the entity manages the risks. There was no financial impact on these financial statements as a result of implementing these new standards. Additional disclosures have been provided in note 3 to the unaudited March 31, 2008 consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

Over the next three years GAAP will be modified to converge with International Financial Reporting Standards (“IFRS”). The date of convergence to IFRS is January 1, 2011. On May 9, 2008 the Canadian Securities Administrators issued staff notice 52-320 which provides guidance on the disclosure of changes in expected accounting policies related to the change over to IFRS. The policy indicates that an issuer should disclose certain information in its interim and annual MD&A’s three years prior to the change over on January 1, 2011, if, at the time of preparing the MD&A the issuer has developed an IFRS change over plan. The Company has not yet developed a comprehensive accounting conversion plan but will continue to monitor and assess the impact of the convergence on its financial statements and financial position.

In February of 2008 a new accounting standard for “Goodwill and Intangible Assets” was introduced which will require implementation on January 1, 2009. The Company currently has no Goodwill or Intangible Assets, and will evaluate the impact of the new standard if these assets are acquired.

OUTLOOK

For the remainder of 2008, the Company will work towards implementing its exploration program on a number of opportunities identified on its blocks in Argentina. In Tunisia the Company will work with its partners to evaluate test results from the Remada Sud well and determine the commercial viability of the well. The Company will also work to evaluate additional international opportunities as they are presented.

QUARTERLY FINANCIAL INFORMATION

The following table summarizes certain information for the previous eight quarters. For the periods ended March 31, 2006, December 31, 2005, September 30, 2005, and June 30, 2005 there was no production and therefore sales volumes and per unit information has not been shown.

	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Sales Volumes:				
Oil (bbl/d)	9	18	8	28
Natural gas (mcf/d)	114	136	180	155
Natural gas liquids (bbl/d)	5	6	7	8
Barrels of oil equivalent (boe/d)	32	47	45	62
Per unit information:				
Oil price ($bbl)	94.46	77.07	78.66	71.42
Natural gas price ($/mcf)	8.53	6.32	6.04	8.31
Natural gas liquids price ($/bbl)	78.39	65.82	65.26	58.81
Oil equivalent price ($/boe)	66.66	56.75	48.38	60.88
Operating net back ($/boe)	32.28	31.74	25.38	43.14
Financial:($ except for share info)				
Revenue:				
Petroleum and natural gas revenues	195,309	245,704	200,514	341,338
Interest Income	91,628	128,382	164,981	177,874
Income (loss) from continuing operations	(188,767)	(3,624,808)	(462,486)	(836,521)
Basic and diluted per share	(0.002)	(0.030)	(0.000)	(0.008)
Net income (loss)	(188,767)	(3,624,808)	(462,486)	(836,521)
Basic and diluted per share	(0.002)	(0.030)	(0.000)	(0.008)
Capital expenditures	2,058,566	2,079,747	92,069	2,487,592
Shares outstanding (000's)	107,369	107,369	107,369	107,369
Working capital	11,232,647	13,236,239	15,144,359	15,380,251

	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Sales Volumes:				
Oil (bbl/d)	-			
Natural gas (mcf/d)	161	198	109	68
Natural gas liquids (bbl/d)	6	7	2	2
Barrels of oil equivalent (boe/d)	33	40	20	13
Per unit information:				
Oil price ($bbl)	-	- -	- -	-
Natural gas price ($/mcf)	8.03	7.54	5.75	6.57
Oil and natural gas liquids price ($/bbl)	50.41	51.65	62.47	65.66
Oil equivalent price ($/boe)	48.60	46.39	37.01	43.02
Operating net back ($/boe)	23.15	25.11	32.57	27.81
Financial:($ except for share info)				
Revenue:				
Petroleum and natural gas revenues	145,408	171,532	67,475	51,341
Interest Income	190,056	147,948	94,762	17,303
Income (loss) from continuing operations	(1,109,773)	(2,892,752)	(352,724)	(408,907)
Basic and diluted per share	(0.010)	(0.032)	(0.005)	(0.007)
Net income (loss)	(1,109,773)	(2,895,425)	(405,633)	(411,987)
Basic and diluted per share	(0.010)	(0.032)	(0.006)	(0.007)
Capital expenditures	701,188	1,471,112	5,398,608	1,718,484
Shares outstanding (000's)	106,869	106,391	71,586	71,471
Working capital	17,713,097	18,309,436	274,561	5,874,256

(*)Comparative information for 2006 has been re-stated to reflect adjustments to stock-based compensation, oil and gas revenues, royalties, operating costs, and depletion. Stock-based compensation was overstated in Q2 by $15,742, and was understated in Q4 by 99,178. Oil and gas revenues, royalties, operating costs, and depletion, a net amount of negative ($10,521), was moved from the three months ended September 30, 2006 to the three months ended June 30, 2006.

Summary of Quarterly Results

Production volumes for the previous eight quarters have been variable as the Company started producing from oil and gas wells at various times during the quarters, initially at high rates of production and then at rates that trended downward as pressures and flow rates from the wells declined. In the first quarter of 2008 production from the Company's only oil well was half of the previous quarter production as the well was shut-in for repairs. The oil well began producing at very high rates in June of 2007, declined in the third quarter and then increased in the fourth quarter with the assistance of pumping equipment.

Petroleum and natural gas revenues over the quarters are reflective of the production volatility and fluctuations in prices received as indicated by the per unit pricing information. Interest income increased in Q4 of 2006 and Q1 of 2007 as the Company invested proceeds from its November, 2006 financing, and then declines as funds are used for capital expenditures.

Net losses per period are variable, with the variability influenced by depletion, depreciation and accretion, which includes ceiling test impairment charges in Q4, 2007 Q2, 2007 and Q4, 2006, and stock-based compensation which is influenced by charges for options granted and changes in options granted.

Working capital has declined over the quarters as the Company spends the funds it raised in 2006 on exploration and development activities in Canada, Tunisia, and Argentina. Capital expenditures are influenced by many factors including the availability of services and equipment.

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