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MADALENA VENTURES INC. FINANCIAL AND OPERATING RESULTS

November 25, 2008. Madalena Ventures Inc. ("Madalena" or the "Company") (TSX Venture: MVN) today announced it's financial and operating results for the three and nine months ended September 30, 2008.

HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Financial				
Petroleum and natural gas revenues	$ 196,260	$ 200,514	$ 647,035	$ 687,260
Interest income	61,313	164,981	223,129	532,911
Funds from operations(1)	(184,345)	(161,182)	(651,249)	(146,287)
Funds from operations per common share - basic and diluted(1)	(0.002)	(0.002)	(0.006)	(0.001)
Cash flow from operating activities	(255,585)	(31,832)	(835,132)	(70,863)
Cash flow from operating activities - basic and diluted(1)	(0.002)	-	(0.008)	(0.001)
Net loss for the period	(246,875)	(462,486)	(964,553)	(2,408,779)
Net loss per common share - basic and diluted	(0.002)	(0.004)	(0.009)	(0.023)
Capital expenditures	$ 2,607,546	$ 92,535	$ 5,090,731	$ 3,281,314
Operations				
Daily production				
Oil (bbls/d)	8	8	9	12
Natural gas (Mcf/d)	108	180	106	165
Natural gas liquids (bbls/d)	3	7	4	7
Oil equivalent (boe/d)	29	45	31	47
Average sales price				
Oil ($/bbl)	$ 118.31	$ 78.66	$ 112.07	$ 73.04
Natural gas ($/Mcf)	8.17	6.04	9.24	7.39
Natural gas liquids ($/bbl)	108.00	65.26	95.15	58.45
Oil equivalent ($/boe)	$ 73.56	$ 48.43	$ 76.18	$ 53.56
Operating netback per boe (1)	$ 43.59	$ 25.41	$ 39.02	$ 32.44

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:

- On-going testing of the initial TT-2 well in Tunisia confirmed commercial flow rates of light crude oil and application to place the well on production test for an additional six month period is was prepared and submitted.
- Seismic programs continue in Argentina and a drilling rig has been secured with initial drilling planned for Q4 2008 or Q1 2009.

President's Message

Madalena made significant progress during the third quarter 2008 in the evaluation of its international prospects in Tunisia and Argentina.

In Tunisia, the Company's first international exploration well was drilled and completed during Q2 and Q3 of 2008. Testing operations conducted during Q3 indicates the discovery appears capable of producing light oil at commercial production rates. The well has been temporarily suspended pending submission of a development plan to ETAP, the Tunisian National Oil Company and receipt of the appropriate production approvals. Madalena has earned a 15% working interest in approximately 600,000 acres 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. Madalena anticipates the TT2 discovery well will be placed on production during Q1, 2009, pending final approvals. The TT2 well was drilled on a large structure, with an areal extent of approximately 70 square kilometres, which had the Ordovician as the primary formation of interest. The discovery of light oil in this significant structure at relatively shallow depths on the eastern side of the 1.2 million acre block confirms the presence of a mature source rock and effective hydrocarbon migration route increasing the chance of success for several other prospects identified on the block. During 2009 the Company anticipates participating in a new 3D seismic program to further delineate the extent of the TT2 discovery, and the subsequent commencement of development drilling operations following interpretation of the 3D seismic program.

Madalena owns a 70% majority working interest in the Cortadera, Curamhuele and Coiron Amargo Blocks in the Neuquen Basin of Argentina. The Company was very active in further evaluating these Blocks during Q3, 2008. During Q3 Madalena negotiated a drilling contract for the drilling of the first exploration well to be drilled by the Company in Argentina. The well is scheduled to commence drilling in January 2009 on a prospective feature identified by 3D seismic on the Coiron Amargo Block. During Q3 the Company also commenced the shooting of two extensive 3D seismic programs over the Curamhuele and Cortadera Blocks to further delineate the prospectivity of the Blocks. The seismic programs are now completed and are in processing, with interpretation to be underway during Q1 2009. The Company is also analyzing the testing data from the previously tested Yapai X-1 well and is evaluating the potential development, tie-in and marketing options available for the production from the well.

Despite the current state of the financial and equity markets throughout the world, Madalena remains well positioned to survive and grow shareholder value during this difficult time. The Company remains debt free and has sufficient remaining funds to proceed with an exploration and development program specifically designed to advance its lower risk projects to the stage of positive cash flow during early 2009. We remain highly optimistic as we begin to actively drill and develop the opportunities that have been assembled from the ground floor over the past two years. We look forward to providing our shareholders with updates as we implement our exploration and development program during the remainder of 2008 and 2009.

Ken Broadhurst

President and Chief Executive Officer

Madalena's 2008 second 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 management of Madalena Ventures Inc. ("Madalena" or the "Company"), for the three and nine months ended September 30, 2008 and 2007. 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 September 30, 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 November 25, 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 and assumptions with respect to the Company's strategies, future operations, and intended activities and discusses issues risks and uncertainties that may have an impact on such matters.

By their nature, forward-looking statements are subject to numerous risks and uncertainties which could cause actual future results to differ materially from those described in such forward-looking statements described in this MD&A. These risks and uncertainties, many of which are beyond the Company's control, include, but are 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, and timely and cost-effective access to sufficient capital from internal and external sources. The reader is cautioned not to place undue reliance on such forward-looking statements.

The forward-looking statements contained in this MD&A are made as of the date of this document, and except as provided by law, the Company does not undertake any obligation to update any of the forward-looking statements contained in this MD&A should circumstances or management's estimates or opinions change.

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 these measures to be useful supplementary information. Funds from operations, is a useful measure of how the Company generates funds to cover operating and capital spending. Operating netback is a useful measure for comparing prices received, royalties paid and operating costs incurred with competitors.

Funds from operations, is defined as cash flow from operating activities before changes in non-cash working capital items. Funds from operations and cash flow from operating activities per share, is calculated using the same weighted average shares outstanding as net loss per common share. The following table reconciles funds from operations to cash flow from operating activities:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Cash flow from operating activities	$ (184,345)	$ (161,182)	$ (651,249)	$ (146,287)
Change in non-cash working capital	71,240	(129,350)	183,883	(75,424)
Funds from operations	$ (255,585)	$ (31,832)	$ (835,132)	$ (70,863)

Netback and operating netback is defined as total petroleum and natural gas revenue less royalties, operating expenses and transportation expenses.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that information required to be disclosed in the Company's 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 relevant securities legislation, and include controls and procedures designed to ensure that information is accumulated and communicated to management to allow timely decisions regarding required disclosures. 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.

The CEO and CFO have evaluated the effectiveness of the Company's DC&P as of September 30, 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 in *"Internal Controls over Financial Reporting"* below.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The design of internal controls over financial reporting ("ICFR") is a process 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 accurately and fairly reflects, in reasonable detail, the Company's transactions;

(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 Board of Directors; and

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

In designing the ICFR, management has identified the following inherent weaknesses:

- A lack of segregation of incompatible duties within the accounting and reporting functions.
- A lack of sufficient financial reporting personnel with sufficient 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 believes 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 also believes that the Board of Directors and management possess significant knowledge of all events occurring in the Company which mitigates the possibility that a material error will occur.

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

HIGHLIGHTS

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Natural gas (Mcf/d)	108	180	106	165
Natural gas liquids (bbls/d)	3	7	4	7
Oil equivalent (boe/d)	29	45	31	47
Average sales price				
Oil ($/bbl)	$ 118.31	$ 78.66	$ 112.07	$ 73.04
Natural gas ($/Mcf)	8.17	6.04	9.24	7.39
Natural gas liquids ($/bbl)	108.00	65.26	95.15	58.45
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Operating netback per boe [1]	$ 43.59	$ 25.41	$ 39.02	$ 32.44

1) See "*Non-GAAP measurements*" above.

Highlights of the quarter include:

- On-going testing of the initial TT-2 well in Tunisia confirmed commercial flow rates of light crude oil and application to place the well on production test for an additional six month period is was prepared and submitted.
- Seismic programs continue in Argentina and a drilling rig has been secured with initial drilling planned for Q4 2008 or Q1 2009.

OVERVIEW

In the first nine months of 2008 Madalena completed evaluation of seismic data, selected a drilling site, and drilled and tested the TT-2 well on the Remada Sud concession in southern Tunisia. The TT-2 well reached target depth in the second quarter of 2008 and testing in the third quarter confirmed initial flow rates of 300 bbls of oil per day. The Company believes the reservoir is a candidate for horizontal drilling development. The operator of Remada Sud is applying for a permit to place the well on production for a six month testing period. Permit approval and final completion of the well is expected in early 2009. Additional testing of one of two potential up-hole zones identified during drilling and testing of the TT-2 well did not result in any indication of additional hydrocarbons in this zone. Additional studies on the two zones will be conducted in subsequent wells, and additional 3D seismic evaluation will be conducted on the entire structure during the fourth quarter of 2008 and the first quarter of 2009.

In the first nine months of 2008 the Company solidified its branch operations in Argentina. Banking operations were established, a petroleum industry consultant has been contracted, and a three year office lease has been signed. By September 30, 2008 3D seismic exploration programs on the Curamhuele and Cortadera blocks were substantially complete. Processing and evaluation of the seismic data is expected to be complete by the end of the first quarter of 2009. Evaluation of two existing well bores on the Curamhuele block continued during the third quarter of 2008. Testing to date shows positive results for natural gas and high quality oil and condensate. Final testing and evaluation of the results will be complete by the end of 2008. At Coiron Amargo seismic data evaluation, drilling site selection, and environmental studies have been completed and the Company has entered into a drilling contract with a major drilling contractor to drill the first test well on the block. The Company anticipates drilling to take place by the end of 2008.

RESULTS OF OPERATIONS

Production

For the three months ended September 30, 2008, Madalena averaged production of 29 boe/d compared to 45 boe/d in the third quarter of 2007. The decrease in production is due to natural declines in new wells brought on production in the first and second quarters of 2007. Oil production remained flat at 8 bbls/d in both the third quarter of 2008 and 2007, natural gas production decreased from 180 Mcf/day in the third quarter of 2007 to 108 Mcf/day in the third quarter of 2008, and natural gas liquids decreased from 7 bbls/d in the third quarter of 2007 to 3 bbls/d in the third quarter of 2008.

Natural declines and shut-in production for repairs and maintenance also resulted in a decrease in average production to 31 boe/d for the nine months ended September 30, 2008, from 47 boe/d for the first nine months of 2007. Oil production decreased from an average of 12 bbls/d in the nine months ended September 30, 2007 to 9 bbls/d in the same period of 2008. Natural gas averaged 106 Mcf/d in the first nine months of 2008 compared to 165 Mcf/d for the same period in 2007. Natural gas liquids averaged 4 bbls/d in the first nine months of 2008 compared to 7 bbls/d for the same period in 2007.

Petroleum and natural gas revenue

Revenue for the three months ended September 30, 2008 totaled $196,260 compared to $200,514 in the third quarter of 2007. The decrease in revenue is due to production declines noted above, partially offset by increased realized commodity prices consistent with market trends for oil and natural gas. In the third quarter of 2008, Madalena received an average of $118.31/bbl for oil, $8.17/Mcf for natural gas and $108.00/bbl for natural gas liquids, compared to $78.66/bbl for oil, $6.04/Mcf for natural gas and $65.26/bbl for natural gas liquids in the first quarter of 2007.

Revenue for the nine months ended September 30, 2008 totaled $647,035 compared to $687,260 for the first nine months of 2007. The decrease in revenue is due to production declines, partially offset by increased realized commodity prices, consistent with market trends for oil and natural gas. In the first nine months of 2008, Madalena received an average of $112.07/bbl for oil, $9.24/Mcf for natural gas and $95.15/bbl for natural gas liquids, compared to $73.04/bbl for oil, $7.39/Mcf for natural gas and $58.45/bbl for natural gas liquids in the first nine months of 2007.

Interest Income

Interest income for the three months ended September 30, 2008 totaled $61,313 compared to $164,981 for the third quarter of 2007. Interest income for the nine months ended September 30, 2008 totaled $223,129 compared to $532,911 for the same period in 2007. The decrease in interest income in 2008 is due to the use of cash-on-hand in exploration and development activities, particularly in Tunisia and Argentina and reduced interest rates on cash and cash equivalent balances.

Royalties

For the three months ended September 30, 2008, crown royalties totaled $32,333 ($12.12/boe or 16.5% of revenue) compared to $27,261 ($6.58/boe or 13.6% of revenue) for the third quarter of 2007. For the nine months ended September 30, 2008, crown royalties totaled $151,763 ($17.87/boe or 23.5% of revenue) compared to $68,262 ($5.32/boe or 9.9% of revenue) for the same period in 2007. Crown royalties increased in magnitude and on a per boe basis in 2008 as a result of the elimination of the crown royalty holidays associated with the Company's primary gas producing wells. Further, additional crown royalty expense was incurred in the second quarter of 2008 related to adjustments made by the joint venture operator for crown royalties actually incurred in prior months as the operator determined that a well was incorrectly subject to a royalty holiday.

For the three months ended September 30, 2008, gross overriding royalties ("GORR") totaled $9,793 ($3.67/boe or 5.0% of revenue) compared to $4,237 ($1.02/boe or 2.1% of revenue) for the third quarter of

2007. For the nine months ended September 30, 2008, GORR totaled $33,175 ($3.91/boe or 5.1% of revenue) compared to $17,444 ($1.36/boe or 2.5% of revenue) for the same period in 2007. GORR increased in magnitude and on a per boe basis in 2008 as a result of new production attracting these types of royalties.

Operating expenses

Total operating expenses, including minimal transportation costs, totaled $37,830 ($14.18/boe) for the three months ended September 30, 2008 compared to $63,831 ($15.42/boe) for the third quarter of 2007. Total operating expenses, including minimal transportation costs, totaled $130,631 ($15.38/boe) for the nine months ended September 30, 2008 compared to $185,305 ($14.44/boe) for the first nine months of 2007. Total operating expenses decreased in 2008 because some wells were shut-in for repairs and maintenance in 2008 and variable operating expenses decreased as production volumes decreased. In contrast, operating expenses per boe have actually increased in 2008 because certain fixed operating costs do not decrease when wells are shut-in or production volumes decline.

Operating Netbacks

	Three months ended September 30,			
	2008		2007	
	Amount	Per boe	Amount	Per boe
Petroleum and natural gas revenue	$ 196,260	$ 73.56	$ 200,514	$ 48.43
Royalties	42,126	15.79	31,498	7.61
Operating expenses, including transportation costs	37,830	14.18	63,831	15.42
Operating netback	$ 116,304	$ 43.59	$ 105,185	$ 25.41

	Nine months ended September 30,			
	2008		2007	
	Amount	Per boe	Amount	Per boe
Petroleum and natural gas revenue	$ 647,035	$ 76.18	$ 687,260	$ 53.56
Royalties	184,938	21.77	85,706	6.68
Operating expenses, including transportation costs	130,631	15.38	185,305	14.44
Operating netback	$ 331,466	$ 39.02	$ 416,249	$ 32.44

Operating netbacks are a non-GAAP measure - see "*Non-GAAP measurements*" above.

The Company realized an operating netback of $43.59/boe for the three months ended September 30, 2008 compared to $25.41/boe in the third quarter of 2007. For the nine months ended September 30, 2008, the Company realized an operating netback of $39.02/boe compared to $32.44/boe for the same period in 2007. Netbacks have increased in 2008 as a result of increased commodity prices, partially offset by increased crown and GORR royalty rates.

General and administrative ("G&A") expenses

Net G&A expenses totaled $469,880 for the three months ended September 30, 2008 compared to $301,998 for the third quarter of 2007. G&A expenses for the nine months ended September 30, 2008 totaled $1,408,974 compared to $1,020,023 for the same period in 2007. The increase in G&A expenses in 2008 is due to the increased activity in Argentina, including increased travel costs for our Calgary-based executives and local Argentina office expenses.

For the three months ended September 30, 2008, the Company capitalized $85,371 of G&A expenses directly related to exploration and development activities, compared to $84,637 in the third quarter of 2007. The Company capitalized approximately $221,394 of G&A expenses directly related to exploration and development activities in the nine months ended September 30, 2008, compared to $163,670 in the same period in 2007. The rate at which the Company is capitalizing G&A began increasing in the third quarter of 2007 and has continued through the third quarter of 2008 consistent with the increase in exploration activity in Argentina and Tunisia.

Stock-based compensation (“SBC”) expense

SBC expense in the three months ended September 30, 2008 totaled $158,983 compared to $158,692 in the third quarter of 2007. SBC expense in 2008 and 2007 reflects the amortization of existing stock options granted to employees and consultants which vest over three years.

SBC expense for the nine months ended September 30, 2008 totaled $475,519 compared to $1,429,644 for the same period in 2007. SBC expense was unusually high in the nine months ended September 30, 2007 as a result of granting stock options with immediate vesting to directors and a one time charge of $679,000 related to the revaluation of options that were transferred between directors.

SBC for consultants is capitalized to property and equipment to the extent that the consultant’s activities are directly related to the exploration or development of petroleum and natural gas. SBC for consultants is revalued each quarter based on the price of the Company’s outstanding common stock at the end of the quarter. In the three months ended September 30, 2008, the Company capitalized $12,760 of SBC to property and equipment, compared to $24,626 in the third quarter of 2007. SBC capitalized decreased in the third quarter of 2008 versus 2007 because of a decrease in the stock price at September 30, 2008. The Company capitalized $82,317 of SBC in the nine months ended September 30, 2008, compared to $36,934 in the same period in 2007. The increase in capitalized SBC expense for the nine months ended September 30, 2008 is due to additional stock options granted to consultants directly involved in exploration and development activities during the period.

At September 30, 2008, the Company has approximately $452,000 of unamortized SBC that will be charged to income over the remaining vesting period of the outstanding options.

Depletion, depreciation and accretion expense

Depletion and depreciation (“D&D”) expense for the three months ended September 30, 2008 totaled $89,100 compared to $159,120 in the third quarter of 2007. D&D expense for the nine months ended September 30, 2008 totaled $280,300 compared to $792,220 in the same period in 2007. The decrease in depletion and depreciation in 2008 is due to a lower carrying value on the Company’s Canadian oil and gas properties resulting from ceiling test write downs in 2007. Only the Canadian oil and gas properties are subject to depletion as activity in Argentina and Tunisia is considered to be in the development stage. There were no impairments to carrying value associated with the Canadian, Argentina or Tunisia oil and gas properties at September 30, 2008.

Accretion expense associated with the Company’s asset retirement obligation totaled $1,452 for the three months ended September 30, 2008 compared to $1,317 for the third quarter of 2007. Accretion expense for the nine months ended September 30, 2008 totaled $4,358 compared to $4,527 for the same period in 2007. There were no significant changes to the assumptions used to calculate the asset retirement obligation or related accretion in 2008 compared to 2007.

Foreign exchange gain (loss)

In 2008 the Company’s operations in Tunisia and Argentina are subject to foreign exchange rate fluctuations for account balances denominated in US dollars and Argentine Pesos. The weakening of the Canadian dollar against the US dollar and Argentine Peso resulted in foreign exchange gains of $294,293 and $650,003 in the third quarter and first nine months of 2008, respectively. The Company started holding US dollar denominated cash balances in the third quarter of 2007 when the Canadian dollar was strengthening against the US dollar. As a result, translation of US dollar denominated cash and cash equivalents resulted in a foreign exchange loss of $111,525 in the three and nine months ended September 30, 2007. Currently, the Company does not hedge its exposure to foreign currency fluctuations.

Net loss and other comprehensive loss

The Company realized a net loss of $246,875 for the three months ended September 30, 2008, compared to a net loss of $462,486 in the third quarter of 2007. The net loss for the nine months ended September 30, 2008 totaled $964,553, compared to a net loss of $2,408,779 for the same period in 2007. The net loss in 2007 was largely due to one time charges related to the write down of the Company's Canadian oil and gas properties and higher stock compensation expense noted previously. Increased commodity prices and the foreign exchange gain recorded by the Company in the first nine months of 2008 also reduced the net loss by partially offsetting production declines and increased royalty and G&A expense.

Income taxes

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

Capital expenditures

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Argentina				
Geological and geophysical	$ 1,818,708	$ 32,600	2,223,347	$ 60,200
Land	-	(115,267)	(331,498)	(232,407)
Drilling and completion	102,441	-	131,490	-
Other	219,127	46,237	483,912	70,670
	2,140,276	(36,430)	2,507,251	(101,537)
Tunisia				
Geological and geophysical	-	5,800	7,500	2,319,255
Land	-	-	-	-
Drilling and completion	468,499		2,543,637	-
	468,499	5,800	2,551,137	2,319,255
Canada				
Land	729	-	729	49
Drilling and completion	(1,958)	150,886	30,162	809,269
Well equipment and facilities		(27,721)	1,311	252,976
Other			141	1,302
	(1,229)	123,165	32,343	1,063,596
Total capital expenditures	2,607,546	92,535	5,090,731	3,281,314

Madalena spent $2,607,546 on petroleum and natural gas properties and office furniture and fixtures in the third quarter of 2008 compared to $92,535 in the third quarter of 2007. For the nine months ended September 30, 2008 the Company incurred $5,090,731 on capital expenditures compared to $3,281,314 in the first nine months of 2007. The capital expenditure increase in 2008 is due to the ongoing seismic and exploration activity in Argentina and drilling activity in Tunisia.

LIQUIDITY AND CAPITAL RESOURCES

Madalena is in the initial exploration stage on its international oil and gas prospects. The Company earns interest income on its cash reserves and has revenue related to its Canadian oil and gas properties, but the cash generated from these activities is not always sufficient to cover operating costs and other overhead. The Company had negative funds from operations in the three months ended September 30, 2008 totaling $292,573 compared to negative funds from operations of $31,382 in the third quarter of 2007. The Company had negative funds from operation of $872,120 in the nine months ended September 30, 2008, compared to negative funds from operations of $70,863 for the same period in 2007 (funds from operations is a non-GAAP measurement – see the paragraph on non-GAAP measurements above for a comparison to cash flow from operations).

At September 30, 2008 Madalena had working capital of $10,373,391 (including $11,725,677 in cash and cash equivalents) compared to $13,236,239 (including $13,082,472 in cash and cash equivalents) at December 31, 2007. The decrease in working capital at September 30, 2008 is due to funding on-going exploration and development activities, primarily in Argentina and Tunisia.

Historically, the Company raised funds from equity financings to fund exploration and development activities and overhead expenses. The Company's ability to continue operations will be dependant on identifying commercial oil and gas reserves, generating profitable operations and raising sufficient capital to complete planned exploration and development activities.

On April 4, 2008, the Company closed 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 Company's capital expenditure requirements and G&A costs.

TRANSACTIONS WITH RELATED PARTIES

There are no transactions with related parties in 2008 and no amounts are due to or from related parties at September 30, 2008.

During the three and nine months ended September 30, 2007 two of the Company's directors were also directors of a company that was a joint interest owner and operator of Madalena's Canadian oil and gas properties. This company is no longer the operator or joint interest owner of any of Madalena's oil and gas properties.

During the three and nine months ended September 30, 2007 the Company used the services of a law firm in which one of the Company's directors was a partner. During the three and nine months ended September 30, 2007 the Company incurred $19,200 and $74,700, respectively, for legal services at market rates from the law firm.

SHARE INFORMATION

At September 30, 2008 and November 25, 2008, the Company has 111,743,702 common shares and 10,130,000 stock options outstanding. In the second quarter of 2008 the Company completed a private placement resulting in the issuance of 4,375,003 common shares and all previously outstanding warrants to purchase common shares expired unexercised.

BUSINESS RISKS

The Company's ability to increase reserves will depend on its ability to select and acquire suitable prospects and to secure the capital to develop those prospects in a timely fashion. The oil and gas industry is inherently risky and there is no assurance that oil and gas reserves will be discovered or economically produced. Inherent operational risks include, but are not limited to, securing markets for production, complex regulatory and environmental requirements, uncertainties related to reservoir performance, and competition. Inherent financial risks include, but are not limited to, access to capital and fluctuations in commodity prices, interest rates and foreign currency exchange rates.

The Company is focused on the international oil and gas exploration market. Conducting oil and gas exploration and development activities in foreign jurisdictions creates additional inherent 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. With the assistance of an independent petroleum engineering firm, the Company evaluated the affect of the increased royalty rates on its existing reserves at December 31, 2007. 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 undiscounted future cash flow could be reduced by approximately $179,000 to $358,000. The Company believes that these estimates have not changed as of September 30, 2008. At December 31, 2007 the impact of these changes were included in the ceiling test calculation and in our review of the third quarter ceiling test calculations, so no additional impairment charges are anticipated from the increased royalties. On November 19, 2008 the Government of Alberta announced revised alternatives with respect to implementation of the royalty regime on January 1, 2009. The announcement provides relief to new wells drilled in the Province of Alberta. The Company does not expect the revised alternatives to have any impact as the Company does not plan any addition drilling in Alberta.

CONTRACTUAL OBLIGATIONS

The Company has a lease commitment for its Calgary, Canada head office through June 15, 2011. The total estimated remaining lease payments at September 30, 2008, including operating costs, are approximately $350,000.

The Company has lease commitments for two apartments in Argentina which expire in December of 2008 and October of 2009. The total estimated remaining lease payments at September 30, 2008 are USD $19,000. In the second quarter of 2008 the Company entered into a lease agreement for office space in Argentina which expires in 2011. The total estimated remaining lease payments at September 30, 2008 is USD $72,000.

The Company has agreed to work programs which have been approved by the Province of Neuquen in Argentina for three exploration blocks in the Province. The work programs require the Company to undertake specific activities on each block. At September 30, 2008 the Company's share of the remaining minimum work commitments is USD $5,551,000.

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 nine months ended September 30, 2008.

CHANGES IN ACCOUNTING POLICIES

Principles of consolidation

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 conjunction with the creation of two wholly owned Barbados subsidiaries on January 1, 2008 to which the Company sold its interests in the Tunisian seismic option agreements.

Foreign currency translation

In the first quarter of 2008 the Company commenced operations in Tunisia and Argentina. Both locations are considered to be an "integrated foreign operation" for accounting purposes and their financial results are translated into Canadian dollars using the temporal method. Accordingly, the Company translates foreign denominated monetary assets and liabilities at the exchange rate prevailing at the period end; non-monetary assets, liabilities and related depletion, depreciation and accretion are translated at historic rates; and revenues and expenses are translated at the rate in effect at the time of the transaction. 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. There was no financial impact as a result of implementing this new 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 those risks. There was no financial impact as a result of implementing these new standards.

NEW ACCOUNTING PRONOUNCEMENTS

As of January 1, 2009, the Company will be required to adopt the new Canadian accounting standard for "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard currently has no impact on Madalena's Consolidated Financial Statements.

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 notice indicates that an issuer should disclose certain information in its interim and annual MD&A three years prior to the January 1, 2011 change over, 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 continues to monitor and assess the impact of the convergence on its financial statements and financial position.

OUTLOOK

During the last quarter of 2008 and the first quarter of 2009 the Company will continue its efforts to explore and develop its exploration blocks in Argentina, complete its evaluation of two wellbores on one of its blocks in Argentina and look for opportunities to produce from these wellbores. In Tunisia, the Company will work with its partners to complete testing of its Remada Sud well and determine its commercial viability and potential for development of additional zones. The Company will also work to evaluate additional international opportunities as they are presented.

QUARTERLY FINANCIAL INFORMATION

As at and for the three months ended	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Operations				
Daily production				
Oil (bbl/d)	8	11	9	18
Natural gas (mcf/d)	108	96	114	136
Natural gas liquids (bbl/d)	3	4	5	6
Oil equivalent (boe/d)	29	31	32	47
Average sales price				
Oil price ($bbl)	$ 118.31	$ 121.26	$ 94.46	$ 77.07
Natural gas price ($/mcf)	8.17	11.32	8.53	6.32
Natural gas liquids price ($/bbl)	108.00	106.20	78.39	65.82
Oil equivalent price ($/boe)	73.56	91.65	66.66	56.75
Operating net back ($/boe)	$ 43.59	$ 43.26	$ 32.28	$ 31.74
Financial				
Petroleum and natural gas revenues	$ 196,260	$ 255,466	$ 195,309	$ 245,704
Interest income	61,313	70,188	91,628	128,382
Net loss	(246,875)	(528,911)	(188,767)	(3,624,808)
Basic and diluted per share	(0.002)	(0.005)	(0.002)	(0.030)
Capital expenditures	2,607,546	424,618	2,058,566	2,079,747
Working capital	$ 10,373,391	$ 12,978,586	$ 11,232,647	$ 13,236,239
Shares outstanding (000's)	111,744	111,744	107,369	107,369

As at and for the three months ended	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006*
Operations				
Daily production				
Oil (bbl/d)	8	28	-	
Natural gas (mcf/d)	180	155	161	198
Natural gas liquids (bbl/d)	7	8	6	7
Oil equivalent (boe/d)	45	62	33	40
Average sales price				
Oil price ($bbl)	$ 78.66	$ 71.42	$ -	$ -
Natural gas price ($/mcf)	6.04	8.31	8.03	7.54
Natural gas liquids price ($/bbl)	65.26	58.81	50.41	51.65
Oil equivalent price ($/boe)	48.38	60.88	48.60	46.39
Operating net back ($/boe)	$ 25.38	$ 43.14	$ 23.15	$ 25.11
Financial				
Petroleum and natural gas revenues	$ 200,514	$ 341,338	$ 145,408	$ 171,532
Interest income	164,981	177,874	190,056	147,948
Net loss	(462,486)	(836,521)	(1,109,773)	(2,895,425)
Basic and diluted per share	-	(0.008)	(0.010)	(0.032)
Capital expenditures	92,069	2,487,592	701,188	1,471,112
Working capital	$ 15,144,359	$ 15,380,251	$ 17,713,097	$ 18,309,436
Shares outstanding (000's)	107,369	107,369	106,869	106,391

* Comparative information for 2006 has been re-stated to reflect adjustments to stock-based compensation, oil and gas revenues, royalties, operating costs, and depletion. Net loss and other comprehensive loss in the three months ended December 31, 2006 was increased by $99,178 as a result of previously understated stock based compensation..

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Madalena Ventures Inc.

Dwayne H. Warkentin
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Madalena Ventures Inc.

Ving Y. Woo
Independent Businessman

Michael J. Lock
President,
Upsilon Holdings Ltd.

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Managing Director, Blackmont Capital Inc

James K. Wilson
VP Finance, CFO and Corporate Secretary,
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STOCK EXCHANGE LISTING
TSX Venture Exchange
Trading Symbol: "MVN"