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# MADALENA VENTURES INC.

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**TSXV Trading Symbol: MVN**

## MADALENA ANNOUNCES RESULTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2008

**Madalena Ventures Inc.** ("Madalena" or the "Corporation") today announces its operating and financial results for three months and the year ended December 31, 2008. Copies of the Company's consolidated financial statements for the year ended December 31, 2008, the related Management's Discussion and analysis (MD&A), and the Annual Information Form (AIF) have been filed with Canadian Securities Regulatory Authorities and will be made available under the Company's profile at www.sedar.com and on the Company's website at www.madalena-ventures.com. All amounts are in Canadian $'s unless otherwise stated.

### Highlights

2008 annual and fourth quarter highlights include:

- Completed a $2.45 million private placement in April 2008.
- Completed drilling of the initial TT-2 well in the Remada Sud concession in southern Tunisia. The well tested positively for commercial flow rates of light crude oil. Approval to conduct a long term production test was received in Q1 2009 and is currently underway.
- Commenced and completed the 3D seismic programs for the Cortadera and Curamhuele blocks in Argentina. Analysis of the seismic data is underway and is scheduled to be completed during Q2 2009. In the fourth quarter, Madalena secured a drilling rig for the initial CAN X-2 exploratory well on the Coiron Amargo block in Argentina. Total depth on the well was reached in February 2009 and two separate hydrocarbon zones identified. Testing of the deeper formation was completed in March 2009, yielding an initial flow rate of 400 bbls/d (280 bbls/d net) with an oil gravity of 38 API and will be brought on production in Q2 2009.

| | For the three months ended December 31 | | For the year ended December 31 | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **Operations** | | | | |
| Daily production | | | | |
| Oil (bbl/d) | 8 | 18 | 9 | 14 |
| Natural gas (mcf/d) | 82 | 136 | 100 | 158 |
| Natural gas liquids (bbl/d) | 3 | 6 | 4 | 7 |
| Oil equivalent (boe/d) | 25 | 47 | 30 | 47 |
| Average sales price | | | | |
| Oil price ($bbl) | $64.09 | $77.07 | $101.70 | $74.38 |
| Natural gas price ($/mcf) | 7.52 | 6.32 | 8.88 | 7.16 |
| Natural gas liquids price ($/bbl) | 55.90 | 65.82 | 86.37 | 60.19 |
| Oil equivalent price ($/boe) | $73.56 | $56.75 | $69.64 | $54.38 |
| Operating net back ($/boe) | $24.21 | $ 31.74 | $35.15 | $32.28 |
| **Financial** | | | | |
| Petroleum and natural gas revenues | $117,665 | $245,704 | $764,700 | $932,964 |
| Interest income | 41,349 | 128,382 | 264,478 | 661,293 |
| Net loss | (869,238) | (3,624,807) | (1,833,791) | (6,033,587) |
| Basic and diluted per share | (0.008) | (0.030) | (0.017) | (0.056) |
| Capital expenditures | 3,335,224 | 2,079,747 | 8,425,954 | 5,360,596 |
| Working capital | $7,243,361 | $13,236,239 | $7,243,361 | $13,236,239 |
| Shares outstanding (000's) | 111,744 | 107,369 | 110,608 | 107,164 |

## OVERVIEW

In 2008 Madalena focused its full attention on developing its international exploration assets in Tunisia and Argentina.

In Tunisia Madalena completed evaluation of seismic surveys, drilled, tested and completed its first exploration well on the Remada Sud concession during 2008. The well is flowing from the Ordovician zone at a depth of 1,422 meters (4,666 feet). At the present time the well is flowing approximately 230 barrels per day of 43 degree API at well head pressure of 100 psi with the water cut averaging 1%. An ongoing appraisal plan is underway which currently includes a 3D seismic survey, a minimum of one step out well and six month production test which will be used to prepare a phased development plan for submission to the Tunisian authorities late in 2009. The discovery of light oil in a large 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. The TT2 well was drilled on a large Ordovician structure which has an aerial extent of approximately 70 square kilometers (43 square miles) and a hydrocarbon column of approximately 57 gross meters (187 feet). Madalena has earned a 15 % working interest in the TT2 test well and in approximately 600,000 acres on the Remada Sud Permit and is entitled to participate as to a 15% working interest in all ongoing drilling and operations on the earned acreage. Madalena also retains the option to drill a second earning well on the unearned lands by paying 30% of the well costs to earn an additional 15% working interest in an additional 600,000 acres on the Remada Sud Permit.

After evaluation of 3D seismic surveys and a reactivation plan for the Tazerka field, the Company has terminated its option to drill an exploratory earning well in the offshore Hammamet prospect in anticipation of focusing its capital in the Remada Sud region.

In Argentina, the Company focused its efforts on seismic surveys, testing, and preparations to drill its first exploration well. The Company completed 3D seismic exploration programs on the Curamhuele and Cortadera blocks in the fourth quarter of 2008 and acquired an additional 20% working interest in Cortadera, giving Madalena a 90% interest and operatorship of the block. The seismic data is currently being processed and the exploration potential of these blocks will be evaluated in the first half of 2009.

In the fourth quarter of 2008, Madalena was also able to secure a drilling rig to commence drilling the initial well on the Coiron Amargo block. Drilling of the CAN X-2 well was completed in February 2009 and two hydrocarbon zones were identified. Testing completed on the deeper zone has demonstrated initial flow rates of 400 bbls/d (280 bbls/d net) of light crude oil. The zone is currently being tied in and production is expected to commence in Q2 2009. The second zone is not presently capable of commercial flow rates and the Company may consider fracture stimulation of the formation at a later date. The Company is currently moving a pump to the CAN X-2 wellsite for the continuous production of the well.

The drilling of the CAN X-2 well will satisfy 100% of the work commitments for the Coiron Amargo block by the end of the second quarter. The Company has until November 2010 to satisfy the remaining work commitments on the Curamhuele and Cortadera blocks and may apply for a one year extension at the expiry date in the event work commitments are not completed by November 2010. The Company's share of the remaining work commitments at December 31, 2008 amount to $1,100,000 USD on the Cortadera block $3,396,800 USD on the Coiron Amargo block, and $1,131,000 USD on the Curamhuele block for a total of $5,627,800 USD.

**RESULTS OF OPERATIONS**

For the year ended December 31, 2008, Madalena averaged production of 30 boe/d compared to 47 boe/d in 2007. Total production decreased in 2008 due to natural declines in new wells brought on production in the first half of 2007 in addition to shutting-in production in 2008 for repairs and maintenance. Revenue decreased in 2008 due to the production declines noted above, partially offset by increased realized commodity prices consistent with market trends for oil and natural gas. In the year ended December 31, 2008, Madalena received an average of $101.70/bbl for oil, $8.88/Mcf for natural gas and $86.37/bbl for natural gas liquids, compared to $74.38/bbl for oil, $7.16/Mcf for natural gas and $60.19/bbl for natural gas liquids in 2007. The Company's Canadian oil and gas properties continued to show natural decline in the fourth quarter of 2008 as Q4 production totaled 25 boe/d compared to 47 boe/d in Q4 2007 and 30 boe/d for all of 2008. Although the Company realized strong commodity prices for much of 2008 as compared to 2007, commodity prices decreased significantly in the fourth quarter of 2008. Madalena averaged $64.09/bbl for oil, $7.52/Mcf for natural gas and $55.90/bbl for natural gas liquids in the fourth quarter of 2008, compared to $101.70/bbl for oil, $8.88/Mcf for natural gas and $86.37/bble for natural gas liquids for all of 2008. The reserve declines and lower commodity prices negatively impacted the recoverable amounts of the Canadian properties leading to a ceiling test write-down of $795,000 in Q4 2008.

The Company realized a net loss of $1,833,791 for the year ended December 31, 2008, compared to a net loss of $6,033,587 in 2007. The net loss in 2007 was largely due to the write-down of the Company's Canadian oil and gas properties and higher stock-based compensation expense. Increased commodity prices and the foreign exchange gain recorded by the Company in 2008 also reduced the net loss by partially offsetting production declines and increased royalty and G&A expense. The net loss for the fourth quarter of 2008 was $869,238 compared to a net loss for the fourth quarter of 2007 of $3,624,807.

The Company realized an operating netback of $35.15/boe for the year ended December 31, 2008 compared to $32.28/boe in 2007. Netbacks increased on a per boe basis in 2008 as a result of increased commodity prices which were only partially offset by increased crown and GORR royalty rates and operating expenses on a per boe basis.

In the year ended December 31, 2008 Madalena incurred capital expenditures on petroleum and natural gas properties and office furniture and fixtures totaling $8,425,954 compared to $5,360,596 in 2007. Capital expenditures increased in 2008 due to the ongoing seismic and exploration activity in Argentina and drilling activity in Tunisia. In 2008, approximately $865,000 of Value Added Taxes ("VAT") incurred on Argentina capital expenditures was included in property and equipment (2007 - $18,860). The VAT is not recoverable from the Argentina Government, however the Company can retain VAT it collects on revenue produced to the extent that it has VAT paid that it has previously paid. In the fourth quarter of 2008, the Company incurred approximately $650,000 in Tunisia capital expenditures largely in connection with the completion and testing of the TT-2 well on the Remada Sud concession.

The natural decline of the Canadian oil and gas reserves in 2008 combined with significantly lower commodity prices in the fourth quarter has negatively impacted funds from operations provided by these properties. In addition, lower cash balances and lower interest rates in 2008 resulted in decreased interest income in 2008 compared to 2007. Consequently, the Company's funds from operations in the year ended December 31, 2008 increased to an outflow of $1,316,632 compared to an outflow of $169,839 in 2007 (funds from operations is a non-GAAP measurement – see the discussion on non-GAAP measurements in the MD&A filed on www.sedar.com for a comparison to cash flow from operations). The Company anticipates bringing the Coiron Amargo CAN X-2 well on production in 2009 which should increase funds from operations; however, any delay in this production may increase the requirement of the Company to seek other sources of financing. As a result of funding on-going exploration and development activities, primarily in Argentina and Tunisia, Madalena's working capital (including its cash and cash equivalents) decreased from $13,236,239 at December 31, 2007 to $7,243,361 at December 31, 2008. Historically, the Company raised funds from equity financings to fund exploration and development activities and overhead expenses, including completing a non-brokered private placement on April 4, 2008 for the issuance 4,375,003 common shares at $0.56 per share for total proceeds of $2,450,000. However, current global economic conditions have negatively impacted the availability of debt and equity financing sources. Management believes that the Company's existing cash balances will be sufficient to meet current obligations. Management has implemented an exploration and development program for 2009 which is intended to conserve cash given the current economic conditions (see discussion of Going Concern Considerations in the annual MD&A filed on www.sedar.com ).

**RESERVES**

The Company increased its December 31, 2008 proved reserves to 216 Mboe (a 127% increase) from 95 Mboe at December 31, 2007. Proved plus probable reserves increased to 442 Mboe at December 31, 2008 from 134 Mboe at December 31, 2007, and proved plus probable plus possible reserves increased to 682 Mboe at December 31, 2008 from 134 Mboe the year before. Declines in Canadian reserves were offset by increases in reserves associated with the TT-2 discovery on the Remada Sud property in Tunisia. No reserves were added for Argentina in 2008 as the well was not completed until 2009.

## OUTLOOK

In 2008, the Company made significant progress towards completion of its exploration and development programs in both Tunisia and Argentina and exited the year with approximately $7.9 million of cash on hand. Given the current global economic conditions and difficulty in accessing external capital, much of 2009 will be focused on conserving cash and exploration and development activities will be focused on high impact prospects requiring minimal capital.

In 2009, the Company anticipates that the Remada Sud TT-2 well in Tunisia will commence production. The well may initially realize minimal operating netbacks until oil prices improve and increased production volumes in the area can support the high fixed facility cost structure associated with development of the Remada Sud concession. Exploration programs for the remaining acreage in Remada Sud are currently being contemplated for 2009 but the timing of those programs will be dependent on the Company's ability to generate sufficient capital to complete them.

In Argentina, the Company has completed drilling its CAN X-2 exploratory well in the Coiron Amargo block, fulfilling all its related work commitments for that block. Testing of the well has been completed and the well will be brought onto production during the second quarter of 2009. Cashflow generated by the CAN X-2 well, together with a portion of Madalena's available cash on hand will be used to further develop the Coiron Amargo block and identify exploration prospects from the results of the seismic programs conducted on the Curamhuele and Cortadera blocks.

**Madalena** is a publicly traded international junior Canadian oil and gas exploration company trading on the Toronto Venture Stock Exchange under the symbol "MVN". The Company has assets in Canada, Tunisia and Argentina and is actively evaluating international oil and gas opportunities with a primary focus on South America and North Africa.

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Forward Looking Statements

The information in this news release contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "approximate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Corporation's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in commodity prices and foreign exchange and interest rates; stock market volatility and market valuations; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions, of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry ; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that the Corporation will derive from them. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Corporation's forward-looking statements are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements. Investors are encouraged to review and consider the additional risk factors set forth in the Corporation's Annual Information Form which is available on SEDAR at www.sedar.com.

References in this news release to initial test production rates and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Corporation.



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