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**MADALENA VENTURES INC.  
200, 441 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 2V1**

**Telephone: (403) 233-8010 / Facsimile (403) 233-8013**

**TSXV Trading Symbol: MVN**

**MADALENA OPERATIONS UPDATE**

Madalena Ventures Inc. and its wholly owned subsidiary Madalena Austral SA ("Madalena" or the "Company"), is pleased to provide an update on its operations in Argentina.

On the Coiron Amargo Block, the Company has commenced production testing the CAS X-1 vertical exploration well from the Vaca Muerta formation. Over a 48 hour period, the well flowed 314 barrels of oil per day of 32 – 33 degree API light crude oil on a restricted 2 mm (1/12 inch) choke at flowing pressures of 2,500 psi and above. The choke setting, restricted during the initial stages of flowback, will be increased as the Company continues to flow test the well. A large three stage hydraulic fracture stimulation of the Vaca Muerta formation was completed as programmed in January 2012 utilizing over 1 million pounds of high strength sintered bauxite. The fracture stimulation is the first independent frac of the Vaca Muerta shale to be undertaken on land adjacent to the Loma La Lata field where YPF SA previously announced a major oil discovery<sup>1</sup> in the Vaca Muerta formation.

Approximately nine kilometers south east of the CAS X-1 discovery well, the Company has cased the CAS X-4 exploration well as a potential oil discovery. The CAS X-4 exploration well was drilled to a total depth ("TD") of 12,100 feet and cased to TD. Both oil and gas shows were evident during drilling of the 440 foot thick Vaca Muerta formation and a full diameter core was taken through most of the interval which will be used to optimize future wells in the Vaca Muerta formation. A hydraulic fracture stimulation program for the formation will be prepared after extensive laboratory analysis of the core is completed. A completion rig is mobilizing to the well location in order to test several other prospective hydrocarbon zones in the Sierras Blancas, Lotena and Punta Rosada formations located below the Vaca Muerta formation.

The drilling rig has now mobilized to drill the CAS X-2 location to test the Vaca Muerta formation in the central portion of the block as well as to allow examination of the prospective Quintuco horizon above the Vaca Muerta formation and the Sierras Blancas and Lotena formations below. In the northern portion of the block, installation of a gas pipeline to remove restrictions to associated gas flow rates from four Sierras Blancas wells is substantially complete with final work to complete road crossings, tie-in and test the pipeline now expected to be completed later this month.

On the Cortadera Block, Apache Energia Argentina S.R.L. and the Company have approved a two stage hydraulic fracture stimulation of the Vaca Muerta formation encountered by the CorS X-1 vertical exploration well drilled on the block in September 2011. The CorS X-1 well was drilled to a TD of 14,760 feet targeting several thick sand and shale formations along the western edge of the basin. The testing program is expected to begin in February and may continue for up to 90 days. Further work to assess additional uphole formations (Quintuco, Mulichinco, and Agrio zones) is expected to be carried out following the Vaca Muerta test. The hydraulic fracture stimulation will be the first large fracture stimulation of the prospective Vaca Muerta shale in the western part of the Neuquén Basin.

<sup>1</sup> The data associated with the Loma La Lata field may constitute "analogous information". Such information was released by YPF Sociedad Anónima in Form 6-K's filed with the Securities and Exchange Commission on May 11, 2011 and November 7, 2011. The data relates to production in geographical proximity to prospective lands held by Madalena. Management believes the information is relevant as it helps to define the reservoir characteristics in which the Company may have an interest. The Company is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor or in accordance with the COGE Handbook and therefore, the reader is cautioned that the data relied upon by Madalena may be in error and/or may not be analogous to Madalena's land holdings.

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

## **About Madalena**

Madalena is an independent, Canadian-based, international upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas. The Company currently has production and exploration operations in Argentina and is focused on international oil and gas opportunities in South America. Madalena is publicly traded on the TSXV under the symbol "MVN".

### **For further information please contact:**

**Dwayne H. Warkentin**  
President and Chief Executive Officer  
Madalena Ventures Inc.  
Phone: (403) 233-8010 ext 232

**Anthony J. Potter**  
Vice President, Finance and Chief Financial Officer  
Madalena Ventures Inc.  
Phone: (403) 233-8010 ext 233

### **Forward Looking Statements and BOE equivalents**

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 Company'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 Company'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 Company 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 Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company 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 Company's Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.