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**TSXV Trading Symbol: MVN**

# MADALENA ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

Madalena Ventures Inc. ("Madalena" or the "Company") (TSX Venture: MVN) today announced that it has filed its unaudited financial statements and related management's discussion and analysis ("MD&A") for the three and nine month period ended September 30, 2012 on www.sedar.com and on its website www.madalena-ventures.com. All amounts are in Canadian dollars ($) unless otherwise stated.

## HIGHLIGHTS

Highlights in the nine months ended September 30, 2012 include:

- Strategic acquisition (closed November 1, 2012) of Canadian oil and gas assets securing access to a large inventory of horizontal drilling locations and diversifying country risk;
- Extension of the Company's large acreage position in the Neuquen Basin and conversion of the northern 108 $km^2$ of the 404 $km^2$ Coiron Amargo Block to a 25 year exploitation concession;
- Successful drilling and completion of 2 development wells and 2 exploration wells on the Coiron Amargo Block;
- With its partner Apache, drilled a Vaca Muerta shale test at the CorS X-1 deep gas exploration well on the Cortadera Block penetrating the Vaca Muerta formation and additional zones of interest in the Quintuco, Mulichinco, and Agrio formations; and
- Generated in Argentina in Q3 positive funds from operations(2) on higher production volumes and maintained strong working capital position exiting the period with working capital of $58.7 million.

## OVERVIEW

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.

### Corporate

On November 1, 2012 the Company acquired all of the common shares of Online Energy Inc. ("Online") for a total purchase price of approximately $20.6 million which includes the assumption of Online's debt in the amount of approximately $4.5 million excluding transaction and severance costs.

Online's assets include 153 net sections of land (197 gross sections at 77.9% average working interest) in the greater Paddle River area of central Alberta across multiple light oil and liquids-rich gas resource plays.

The acquisition of Online is expected to have the following benefits for Madalena:

- Provides entry into the domestic E&P space with the opportunity to ramp production and cash flow while continuing to develop and grow its international assets & business plan
- High working interest ownership and operatorship of a sizeable domestic land base with a large inventory of potential oil and liquids-rich natural gas locations
- Increases critical mass for continuing operations and the opportunity to transfer North America technology and engineering techniques to other international resource plays
- Increases total proved reserves of Madalena by 124% from 874 MBOE to 1,955 MBOE(1)
- Increases total proved plus probable reserves of Madalena by 92% from 1,565 MBOE to 3,001 MBOE(1)

Online's average daily production in the third quarter of 2012 was 389 boepd (40% oil and liquids), with Online's current production approximately 650 boepd (51% oil & liquids) with the recent start-up of the Ostracod 1-5 horizontal well. Average Q3 production from the Company's combined Argentina and Canadian assets would have been 700 boepd (59% oil & liquids).

Argentina - Coiron Amargo Block (35% working interest)

On Coiron Amargo Sur, in February 2012 the Company drilled and cased the CAS X-4 well approximately nine kilometers south east of the CAS X-1 discovery well drilled in 2011 and in March 2012 drilled and cased to TD the CAS X-2 vertical exploration well in the center of the block. At CAS X-4 a full diameter core was taken through most of the Vaca Muerta shale formation interval which will be used to optimize future wells in the Vaca Muerta formation.

In March 2012 an application by the Coiron Amargo joint venture to convert the northern 108 $km^2$ of the 404 $km^2$ block to a 25 year exploitation concession (Coiron Amargo Norte) was approved by the Province of Neuquén. In addition, the exploration period for the remainder of the block (Coiron Amargo Sur) was extended to November 8, 2013. Madalena's remaining share of future development commitments associated with Coiron Amargo Norte to December 31, 2013 is approximately $5.5 million plus VAT.

On Coiron Amargo Norte, in May 2012 the Company completed drilling the CAN 5 development well located within the CAN X-1 Sierras Blancas structure and in June 2012 the Company completed drilling the CAN 7 development well located within the CAN X-3 Sierras Blancas structure. With the addition of these wells, the Company's share of production in the third quarter of 2012 from Coiron Amargo Norte and Sur was 331 boepd (268 bopd).

In November 2012, the Company commenced drilling the CAN 8 development well located approximately 800 metres south east of the CAN 7 well. The vertical well is scheduled to be drilled to approximately 10,430 feet depth with the primary objective horizon in the Sierras Blancas formation and the Vaca Muerta horizon above.

The extension of Coiron Amargo Sur to November 8, 2013 required additional work commitments of US$ 33.5 million (Madalena share – US$ 13.0 million of which approximately US$ 9.3 million plus VAT remains outstanding). The exploration block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

Notes:

1. Based on the addition of Online's proved and proved plus probable reserves effective as of December 31, 2011 as set forth in the McDaniel Report to Madalena's proved and proved plus probable reserves evaluated by InSite Petroleum Consultants effective as of December 31, 2011. Reserves are "gross reserves", being each company's working interest share of reserves before the deduction of royalties owned by others and without including royalty interests of each company.
2. Funds from (used in) operations and funds from (used in) operations per common share are Non-GAAP measurements – see the discussion under Non-GAAP Measurements contained in the Company's MD&A.

Argentina - Cortadera Block (40% working interest)

In March 2012 Apache completed a two stage hydraulic fracture stimulation of the Vaca Muerta formation in the CorS X-1 vertical exploration well. Further work to assess the Vaca Muerta and/or uphole formations (i.e. Quintuco, Mulichinco, and Agrio zones) is required to fully evaluate this deep exploration test.

Also in March 2012, a resolution was passed approving Apache's application to qualify the Cortadera exploration block for Gas Plus pricing. The Gas Plus program was launched at the end of 2008 to stimulate investments in and production of natural gas and oil through providing incentives for new production of natural gas or oil.

The Company has agreed a work program with provincial authorities to extend the initial exploration period of the Cortadera Block beyond the initial expiry date of October 26, 2011 and despite delays in formalizing this extension, the Company believes that formal approval of the extension remains forthcoming.

Argentina - Curamhuele Block (90% working interest)

At the Cur X-1 well the Company mobilized a service rig in the second quarter of 2012 for its planned three stage fracture stimulation of the Lower Agrio shale formation. At this time operations on the CurX-1 well remain suspended after attempts to remove certain down-hole equipment in order to install casing for the fracture stimulation were unsuccessful.

In March 2012 the exploration period for the block was extended to November 8, 2013. The extension of the block required additional work commitments of US$ 17.6 million (Madalena share – US$ 17.6 million of which approximately US $15.1 million plus VAT remains outstanding). The exploration block qualifies for an additional one year extension period at the end of the exploration period in the fourth quarter of 2013.

## FINANCIAL AND OPERATING INFORMATION

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | | | **$** | **$** |
| **Financial Information**[1] | | | | |
| Oil and gas revenue | 1,761,983 | 619,178 | 2,533,490 | 1,989,163 |
| Funds used in operations[2] | (79,767) | (624,174) | (1,932,751) | (2,230,358) |
| Funds used in operations per share[2] | - | - | (0.01) | (0.01) |
| Cash flow from (used in) operating activities | (1,021,582) | (478,183) | (3,158,931) | (2,107,111) |
| Cash flow from (used in) operating activities per share | - | - | (0.01) | (0.01) |
| Net loss | (916,185) | (315,915) | (3,931,534) | (14,551,023) |
| Net loss per share | - | - | (0.01) | (0.06) |
| Total assets | 102,103,537 | 45,426,540 | 102,103,537 | 45,426,540 |
| Working capital | 58,752,469 | 19,730,619 | 58,752,469 | 19,730,619 |
| Capital expenditures | 3,632,703 | 3,011,513 | 16,541,896 | 15,951,447 |
| Debt | - | - | - | - |
| **Production** | | | | |
| Total production (boe per day) | 314 | 103 | 148 | 116 |

1) All amounts per common share are basic and diluted amounts per share
2) Funds used in operations and funds used in operations per common share are Non-GAAP measurements – see the discussion under Non-GAAP Measurements contained in the Company's MD&A.

## RESULTS OF OPERATIONS

Oil and gas revenue in the third quarter of 2012 was $1,761,983 compared to $619,178 in the third quarter of 2011. Oil and gas revenue increased to $2,533,490 for the nine months ended September 30, 2012 compared to $1,989,163 for the corresponding period in 2011. The Company's share of oil production from Coiron Amargo Norte in the three and nine month periods ended September 30, 2012 was 23,127 barrels (251 barrels per day) and 34,745 barrels (127 barrels per day), respectively. The Company's share of oil production from Coiron Amargo Norte in the three and nine month periods ended September 30, 2011 was 9,462 barrels (103 barrels per day) and 31,741 barrels (116 barrels per day), respectively. Net production increased from the corresponding period in 2011 due to production from the CAN 5 and CAN 7 wells drilled in May and June 2012 partially offset by a reduction in the Company's working interest in the block from 52.5% to 35%. The Company's share of oil revenue, operating costs and royalty expenses related to production from Coiron Amargo Sur is capitalized for accounting purposes and therefore excluded from production and revenue information.

The Company realized a net loss of $916,185 in the third quarter of 2012 compared to $315,915 in the third quarter of 2011. Net loss increased as the third quarter of 2011 included a gain of $1,040,664 associated with the 2011 farm-out of the Coiron Amargo Block which reduced the Company's interest in the block from 52.5% to 35%. Net loss decreased to $3,931,534 for the nine months ended September 30, 2012 compared to $14,551,023 for the corresponding period in 2011. Net loss decreased primarily due to an impairment loss recorded in the second quarter of 2011 with respect to drilling the Curamhuele X-1001 exploration well. Total comprehensive loss decreased to $3,705,154 in the third quarter of 2012 compared to comprehensive income of $375,579 in the third quarter of 2011. Total comprehensive loss for the nine months ended September 30, 2012 totaled $5,856,774 compared to a loss of $15,763,243 for the corresponding period in 2011. Total comprehensive loss decreased due to the decrease in net loss above partially offset by a higher loss on translation of foreign operations. Exchange differences on translation of foreign operations resulted in a loss of $2,788,969 in the third quarter of 2012 compared to a gain of $691,494 in the third quarter of 2011 as a result of a decrease in the third quarter of 2012 in the value of the Argentina peso relative to the Canadian dollar.

At September 30, 2012 Madalena had working capital of $58,752,469 compared to $14,442,910 at December 31, 2011. Working capital increased as the Company issued 54,000,000 common shares at an issue price of $1.25 per share for gross proceeds to Madalena of $67,500,000.

The Company had negative funds from operations in the three and nine month periods ended September 30, 2012 totaling $79,767 (2011 - $624,174) and $1,932,751 (2011 – $2,230,258), respectively. Funds used in operations decreased as a result of higher oil revenue.

## ABOUT MADALENA

Madalena is an independent, Canadian-based, domestic and international upstream oil and gas company whose main business activities include exploration, development and production of crude oil, natural gas liquids and natural gas. Madalena is publicly traded on the TSXV under the symbol "MVN".

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### 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.

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.