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Madalena Announces its 2013 Year End Financial Results and Highlights, Provides an Operational Outlook

Madalena Energy Inc. (TSXV: MVN) (the "Company" or "Madalena") is pleased to provide selected financial and operational information for the three months and year ended December 31, 2013 and the Company's 2013 year end reserves.

Copies of the Company's consolidated financial statements for the year ended December 31, 2013, the related management's discussion and analysis and the Annual Information Form (the "AIF") of the Company for the year ended December 31, 2013 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.madalenaenergy.com.

2013 HIGHLIGHTS and OUTLOOK

- Established and integrated an experienced, full-cycle operating team capable of executing both internationally and domestically.
- Repositioned Madalena for flexibility with respect to its Neuquén basin assets with the signing of three revised block contracts (new contractual amendments and/or extensions) at each of the Company's Coiron Amargo, Curamhuele and Cortadera blocks in Argentina.
- Conducted an extensive technical review of the Company's unconventional shale resources on its three land blocks within the Neuquén basin. Ryder Scott Company evaluated the **Vaca Muerta shale**, **Lower Agrío shale** and **Basal Quintuco** formation throughout the Coiron Amargo, Curamhuele and Cortadera blocks and prepared a comprehensive resource report which was released on April 30, 2013 and effective December 31, 2012.

Highlights of the independent resource evaluation are as follows:

- Best Estimate P50 total **petroleum initially in place** ("PIIP") of **34.8 billion boe** (51 % crude oil and natural gas liquids ("NGLs")) net to Madalena, comprised of:
 - Best Case P50 discovered PIIP ("DPIIP") of 257.4 million boe (95 % crude oil and NGLs) and
 - Best Case P50 undiscovered PIIP ("UPIIP") of 34.6 billion boe (50 % crude oil and NGLs).
- Best Estimate P50 contingent and prospective **resources** net to Madalena as follows:
 - Best case P50 prospective resources of **2.8 billion boe** (45 % crude oil and NGLs) and
 - Best case P50 contingent resources of **19.4 million boe** (95 % crude oil and NGLs).
- A further breakdown (by block) of the petroleum initially in place and the resource categories aggregating such total are shown in a series of tables in the advisory section of this document.
- Increased proved plus probable reserves ("P+P") by 19% to 4.648 MMboe, which is primarily supported by the Company's conventional assets. Net present value of these P+P reserves before tax, discounted at 10%, increased 49% to \$50.2 million (*see Summary of 2013 Year-end Reserves below*).

- A large inventory of horizontal locations on Madalena's western Canadian and Argentinean lands remains unbooked.
- Q4 – 2013 production averaged 1,271 boe/d (56% oil and liquids), an increase of 101% from Q4 – 2012.
- Madalena has been successfully recapitalized through raising a total of \$19.5 million in 2013 and an additional \$23 million in February, 2014.
- Maintained a strong balance sheet with zero debt and approximately \$8.0 million in positive working capital at the end of 2013. With the subsequent \$23 million raised in February 2014, unutilized credit facilities of \$13 million and funds from operations throughout 2014, Madalena is well positioned to meet its commitments and execute its 2014 business plan.
- In late 2013, Madalena successfully implemented its first use of North American based horizontal drilling technology on its international assets focused initially at its Coiron Amargo block in the Neuquen basin. Horizontal technology was applied to the Sierras Blancas formation which is a conventional light oil reservoir sourced from the Vaca Muerta shale across the Coiron Amargo block. The CAN.xr-2(h) well was re-entered and drilled horizontally and has produced approximately 63,000 barrels of oil in the first three months of 2014. The results to date on the CAN.xr-2(h) horizontal have exceeded management's expectations and as a result, Madalena has commenced a multi-well horizontal drilling program in Sierras Blancas for 2014. To kick-off 2014, the CAN-15(h) well was recently drilled horizontally and during testing operations the highest rates were achieved on a 12 mm choke setting, when the well flowed at a rate of 1,393 bbls/d of oil with 3,301 mcf/d of associated natural gas for a total of **1,943 Boe/d (72% oil)** over a 5 hour period. (*see International Operations below*). The next Sierras Blancas horizontal in the multi-well program for 2014 is expected to commence drilling in Q2-2014. Madalena has a 35% working interest in the Coiron Amargo block.
- Madalena has established a 2014 capital budget of \$48 million, \$37 million of which is allocated to Argentina. The 2014 budget is focused on a combination of high impact horizontal wells targeting the Sierras Blancas light oil play in addition to unconventional shale and tight sand delineation wells, re-entries and 3D seismic shooting on the Company's international assets in Argentina. Operations in Canada will focus on horizontal wells targeting the Ostracod and other emerging resource plays in the greater Paddle River area.
- Ongoing drilling and completions operations will continue across Madalena's international assets in Q2 through to year end 2014 and drilling operations are expected to recommence in Canada post spring break-up.

SUMMARY FINANCIAL AND OPERATIONAL RESULTS

	Three months ended		Year ended	
	December 31		December 31	
	2013	2012	2013	2012
Financial - Canadian \$000s, except per share amounts				
Oil and gas revenue	5,633	3,012	17,960	5,545
Net loss	(20,527)	(4,934)	(23,285)	(8,865)
Per share – basic and diluted	(0.06)	(0.02)	(0.07)	(0.03)
Business combinations	-	16,090	-	16,090
Capital expenditures	13,121	6,310	43,296	22,851
Working capital	8,016	30,025	8,016	30,025
Equity outstanding – 000s				
Common shares	364,029	314,307	364,029	314,307
Stock options	19,530	22,334	19,530	22,334
Operating				
<i>Average Daily Production</i>				
Crude oil and condensate – Bbls/d	551	327	392	173
Natural gas – Mcf/d	3,366	1,377	3,346	369
NGLs – Bbls/d	160	78	137	20
Total - boe /d ⁽¹⁾	1,271	634	1,086	254
<i>Average Sales Prices</i>				
Crude oil and condensate - \$/Bbl	73.71	74.75	79.69	75.23
Natural gas - \$/Mcf	3.52	3.35	3.18	3.41
NGLs - \$/Bbl	54.99	48.04	53.61	48.04
Total - \$/boe ⁽¹⁾	48.16	51.66	45.28	59.86
Operating Netbacks ⁽²⁾ - \$/boe ⁽¹⁾	16.82	13.49	15.25	18.18

(1) Refer to - "Oil, Natural Gas Liquids and Natural Gas Conversions to boe" in Advisory.

(2) Operating netback is a non-GAAP measure calculated as the average per boe of the Company's oil and gas sales, less royalties, operating and transportation expenses.

SUMMARY OF ARGENTINEAN UNCONVENTIONAL RESOURCES

(as prepared by Ryder Scott Petroleum Consultants Ltd. ("Ryder Scott") in accordance with National Instrument 51-101 – Standards for Disclosure for Oil and Gas Activities of the Canadian Securities Administrators ("NI 51-101") (see separate press release dated April 30, 2013))

Highlights of the independent resource evaluation are as follows:

- Best Estimate P50 total PIIP of **34.8 billion boe** (51 % crude oil and NGLs) net to Madalena, comprised of:
 - Best Case P50 DPIIP of 257.4 million boe (95 % crude oil and NGLs); and
 - Best Case P50 UPIIP of 34.6 billion boe (50 % crude oil and NGLs);
- Best Estimate P50 contingent and prospective **resources** net to Madalena as follows:
 - Best case P50 prospective resources of **2.8 billion boe** (45 % crude oil and NGLs), and
 - Best case P50 contingent resources of **19.4 million boe** (95 % crude oil and NGLs);
- A further breakdown (by block) of the petroleum initially in place and resources aggregating such totals are shown below in a series of tables in the advisory section of this document.

SUMMARY OF 2013 YEAR-END RESERVES

(as of December 31, 2013 – all amounts are in Canadian dollars and net to Madalena's interest unless otherwise stated.)

- Total Company **proved plus probable ("P+P") reserves** of **4.648 MMboe** (51% crude oil and natural gas liquids vs 46% at year-end 2012) representing a 19% increase from Madalena's 2012 year end P+P reserves;
- 58% of P+P reserves are categorized as proved reserves;

- A **P+P reserve life index of 10.0 years** and a proven reserve life index of 5.8 years, based on Q4 - 2013 actual production of 1,271 boe/d;
- Reserve net present value of P+P reserves before tax (discounted at 10%) of \$50.2 million representing a 49% increase from Madalena's 2012 year end P+P reserves; and

Disclosure of Reserves Data

All of Madalena's international reserves were evaluated by Ryder Scott Company and all of Madalena's domestic reserves were evaluated by McDaniel & Associates Consultants Ltd. in separate reports dated effective December 31, 2013 (collectively, the "Reserve Reports"). The Reserve Reports were prepared in accordance with NI 51-101 and the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). The reserves data provided in this news release ("Reserves Data") summarizes the oil, liquids and natural gas reserves associated with Madalena's assets and properties and the net present values of future net revenue for these reserves using forecast prices and costs as at December 31, 2013. The Reserves Data represents only a portion of the disclosure required under NI 51-101. All of the required information is in the AIF, which has 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.madalenaenergy.com.

INTERNATIONAL OPERATIONS - Neuquén Basin, Argentina

Coiron Amargo Block

- Industry activity in and around Madalena's Coiron Amargo block (approximately 35,000 net acres) including developments in the greater Loma La Lata and Loma Campana areas has seen a significant step change from initial exploration and appraisal drilling in 2012 to an accelerated exploitation / development phase in the unconventional **Vaca Muerta shale** through 2013 and into 2014. Over 150 Vaca Muerta shale wells have been drilled in and around this area and a number of significant joint ventures (or other transactions) over the last 14 months have been announced. These largely involve large integrated exploration and production companies such as YPF, Chevron, Shell, Total SA, Wintershall, Petrobras and others. YPF and Chevron have announced a 140 well drilling program in 2014 targeting the Vaca Muerta shale to the west of Madalena's acreage and they expect to increase production from the Vaca Muerta shale to approximately 80,000 bbls/d by 2017 in this area. Madalena's Coiron Amargo block is strategically positioned within this area of intense Vaca Muerta shale resource development and Madalena continues to execute its business plan in this area.
- The Coiron Amargo block is divided into a North and South region with active drill programs being executed in both areas. Coiron Amargo Norte (the northern portion of the block) is currently under a 25 year exploitation (development) concession. The southern portion of the block, Coiron Amargo Sur, is currently under an exploration contract which was extended until November 8, 2014 by way of an official decree signed by the Province of Neuquén in Argentina on November 12, 2013. Subsequent to November 8, 2014, Madalena has the ability to extend Coiron Amargo Sur through further exploration, evaluation and/or exploitation (development) phases.
- The focus of Madalena's business plan for the Coiron Amargo block includes:
 - i) Continue to advance the Company's Vaca Muerta shale activities with a combination of new delineation wells and completion techniques (stimulations and/or multi-stage fracs);
 - ii) Drill, complete, test and tie-in a number of high impact horizontal wells targeting Vaca Muerta sourced light oil from the Sierras Blancas reservoir; and
 - iii) Technically assess deep gas potential on the block in response to offsetting industry activity.

- Recently, the Company has intensified its focus on the Vaca Muerta shale given the unconventional prize across the Coiron Amargo block. The block is strategically positioned within the Neuquén basin in the shallower portion of the Vaca Muerta oil window and in an area where over 150 Vaca Muerta shale wells have been drilled over the last 12 to 14 months. Industry activity continues to increase offsetting the Coiron Amargo block where Madalena drilled the CAS.x-14 and the CAS.x-15 vertical wells in Coiron Amargo Sur for the Vaca Muerta shale in 2013. The CAS.x-14 and CAS.x-15 wells were drilled and cased encountering approximately 105 and 114 meters respectively of Vaca Muerta shale on logs. Completion (stimulation work and/or multi-stage frac) activities on these wells are expected to commence in Q2 – 2014.
- Madalena has implemented a balanced business strategy between **unconventional shale delineation** and **high impact horizontal drilling**. Accordingly, Madalena successfully implemented North American based horizontal technology and experience on the Coiron Amargo block. As the first implementation of horizontal technology internationally, the CAN.xr-2(h) well was re-entered, drilled and completed horizontally in the Sierras Blancas light oil reservoir which is a high deliverability conventional reservoir which is sourced from the Vaca Muerta shale. The CAN.xr-2(h) well has now been producing since late 2013 and has exceeded management’s expectations. The well has been producing oil at restricted rates for most of Q1 – 2014. Cumulative oil production for Q1-2014, based on field estimates, was approximately 63,000 barrels of oil plus associated solution gas. Average daily production was approximately 700 bbls/d and 1,560 mcf/d of associated solution gas for a total of **978 boe/d (72% oil) over a three month period in Q1-2014**. The well has been recently tied into a permanent pipeline system to the central plant and gas dehydration and compressor facility and, accordingly, associated solution gas volumes will be realized as sales in future quarters. Madalena has a 35% working interest in the CAN.xr-2(h) well.
- Encouraged by the results of the CAN.xr-2(h) horizontal, Madalena has commenced a multi-well horizontal drilling program for 2014. The CAN-15(h) well, in which the Company has a 35% working interest, was recently drilled horizontally in the Sierras Blancas light oil reservoir in the Coiron Amargo block to a total measured depth of 3,750 metres with a horizontal lateral section of approximately 692 metres in length. This well is the second horizontal well drilled into the Sierras Blancas which is a conventional light oil reservoir sourced from the Vaca Muerta shale across the Coiron Amargo block. The well was subsequently cased and completed with a 3.5” slotted liner and a multi-rate production test was carried out through temporary production facilities. Throughout the multi-rate production test, the CAN-15(h) well flowed without artificial lift equipment and was tested for approximately 75 hours at various choke settings ranging from 6 mm to 12 mm in size with the following flow rates observed during the test:
 - i) With the production test only being carried out on a portion of the horizontal lateral section as planned, the highest rates were achieved on a 12 mm choke setting, when the CAN-15(h) well was flowed at a rate of 1,393 bbls/d of oil with 3,301 mcf/d of associated natural gas for a total of **1,943 Boe/d (72% oil)** over a 5 hour period and at an average flowing pressure of approximately 1,263 psi.
 - ii) On an 8mm choke setting, the CAN-15(h) well was flowed at a rate of 745 bbls/d of oil with 1,990 mcf/d of associated natural gas for a total of **1,077 Boe/d (69% oil)** over a 29 hour period and at an average flowing pressure of approximately 1,629 psi.
 - iii) During the test period of 75 hours, the total gross produced cumulative volumes were approximately 2,553 barrels of oil and approximately 7,210 mcf of natural gas, for a total of approximately 3,754 barrels of oil equivalent (68% oil) gross. No significant flowing pressure declines were observed throughout the testing period and water cuts ranged from 0% to 3% throughout the test period.
- Operationally, Madalena and its partners currently have a completion rig running on the Coiron Amargo block with another drilling rig scheduled to mobilize to the block in Q2 to continue drilling a combination of high impact horizontals and Vaca Muerta shale delineation wells.
- Two 3D seismic programs were shot at Coiron Amargo Sur during the second quarter of 2013 and were subsequently processed in the third quarter. The Coiron Amargo block (both north and south regions) is now almost entirely covered with 3D seismic.

Curamhuele Block

- The greater El Trapial / Curamhuele region is an evolving area within the Neuquén basin which is seeing increased exploration and appraisal activity for unconventional shale plays and tight sand reservoirs. Chevron has recently announced that a second focus area for Chevron in the Vaca Muerta shales is the El Trapial block which is adjacent and to the east of Madalena's 90% working interest Curamhuele block. At El Trapial, Chevron is drilling and testing four exploration wells in 2014 to further assess the unconventional shale potential. Others, such as YPF are also drilling on lands offsetting Madalena's Curamhuele block for unconventional shale and tight sand plays.
- The primary zones of interest across the Curamhuele block are the unconventional **Vaca Muerta shale**, **Lower Agrio shale** and **liquids rich Mulichinco** sands. The block is also prospective for other conventional reservoirs.
- To satisfy a portion of the 2014 block commitments, Madalena has recently shot an approximately 75 square kilometer 3D seismic survey at Curamhuele. Processing of this data is currently underway. The Company plans to merge this newly acquired data with the existing 125 square kilometer 3D survey on the block. This will provide 3D seismic coverage on the entire northern portion of the Curamhuele block.
- To satisfy the remaining 2014 block commitments, Madalena plans to execute two high impact re-entries of the Yp.x-1001 and Ch.x-1 wellbores. Through these re-entries, Madalena plans to test an estimated 200 meter thick tight Mulichinco sand liquids-rich gas play and an estimated 225 meter thick oil zone in the Lower Agrio shale (which is a second emerging unconventional shale play in Argentina). In response to offsetting industry activity, Madalena is also evaluating the Vaca Muerta shale across the block.
- To accelerate exploration and development activities on the block, the Company continues to assess different opportunities with RBC Capital Markets ("RBC"), Madalena's exclusive advisor related to its Neuquén basin assets, in respect of a possible joint venture partnership or other transaction.

Cortadera Block

- On January 15, 2014, the Corporation announced that, on the Cortadera Block, the joint venture partnership consisting of Apache Corporation, Gas y Petroleo del Neuquén SA and Madalena had signed an amended contract agreement to formalize a multi-year extension of the initial exploration period and inclusion of subsequent exploration periods. Subsequent to that agreement and following an application and approval process, the first exploration period for Cortadera was extended by way of an official decree which was signed by the Province of Neuquén in Argentina. This extension provides the partnership until October 26, 2014 to satisfy the remaining work commitments on the block, which involves an upcoming re-entry of the CorS.x-1 well. Under the amended agreement, and subsequent to conducting the upcoming re-entry work, the partnership at Cortadera has the option to enter into a second exploration period extending to October 25, 2018 and a third exploration period extending to October 25, 2021, or extend the Cortadera Block through potential further evaluation and/or exploitation phases.
- Madalena and its new block partner YPF S.A. (acquired through YPF's recent purchase of the Apache subsidiary in Argentina) plan to re-enter the previously drilled CorS.x-1 Vaca Muerta test well to evaluate the uphole Mulichinco tight sand play (or other zone of interest). Madalena expects that its share of any costs for the work performed will not be significant due to YPF's continued earning obligations which include carrying Madalena for the majority of the anticipated costs.

DOMESTIC OPERATIONS – Greater Paddle River Area, Alberta, Canada

- Domestically, Madalena's core area of operations is located in the greater Paddle River area, where the Company holds approximately 196 gross (154 net) sections of land (approximately 78% average working interest) in west-central Alberta that support light oil and liquids-rich gas resource plays. Madalena entered the domestic E&P space in November, 2012 and executed horizontal drilling activity in 2013 with a focus of bringing increased production and cash flow into the company.
- Drilled 6 (5.92 net) wells in 2013 including 4 development horizontals and 2 exploration wells which qualify for Canadian Exploration Expense ("CEE"), resulting in 4 (4 net) oil wells;
- Continued to make progress on the Ostracod horizontal oil project with 5 (4.92 net) wells drilled in 2013. Four (4.0 net) of these wells are currently on production while the fifth (0.92 net), a significant step-out well drilled in late 2013, continues to be evaluated. Q4 – 2014 production from the producing Ostracod wells represented

70% of the Company's domestic production of 1,098 boe/d. Operating costs for the Ostracod horizontal wells in Q4, 2013 were \$14.54 per boe. Overall, the Company has gained valuable insights during 2013 on its emerging Ostracod project and has an inventory of horizontal development locations on its 58 net section land position.

- Madalena's domestic focus is to exploit its inventory of horizontal development locations on its Ostracod oil, Notikewin/Wilrich liquids-rich gas and other emerging oil & liquids-rich gas resource plays in the area. Madalena also holds more than 100 net sections (100% W.I.) which are prospective for the Duvernay shale.

About Madalena – International and Domestic Assets

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.

Internationally, Madalena holds three large blocks within the Neuquén basin in Argentina where it is focused on the delineation of large petroleum in-place shale and unconventional resources in the Vaca Muerta and Lower Agrio shales, in addition to multiple tight sand plays. The Company is also implementing horizontal drilling and completions technology to high impact international plays and is currently focused on a conventional oil play in the Sierras Blancas formation. Madalena holds approximately 132,200 net acres on the Coiron Amargo (34,951 net acres), Curamhuele (50,595 net acres) and Cortadera (46,656 net acres) blocks.

Domestically, Madalena's core area of operations is located in the Greater Paddle River area of west-central Alberta where the Company holds approximately 200 gross (>150 net) sections of land (approximately 78% average W.I.) encompassing light oil and liquids-rich gas resource plays. Madalena's primary domestic focus is to exploit its large inventory of horizontal drilling locations on its Ostracod oil and emerging oil & liquids-rich gas resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN. Basic corporate information, recent news releases and regularly updated corporate presentations are available on the Company's website at www.madalenaenergy.com

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Reader Advisories

Forward Looking Information

The information in this news release contains certain forward-looking statements. These statements relate to future events or our future performance, including, without limitation, with respect to expected operational activities, including drilling, completion, re-entry, evaluation and seismic activities, and the timing thereof, timing matters related to Madalena's properties, including potential block extensions and matters pertaining to Madalena's efforts to seek a joint venture partner for certain assets. 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. In particular, this news release contains forward-looking statements pertaining to planned operational activities to be conducted by the Company. In addition, statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future. 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 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 forward-looking statements in this news release 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

Reserves and Other Oil and Gas Disclosure

Any references in this news release to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes behind pipe 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 Madalena. In addition, the Vaca Muerta shale is an unconventional resource play which may be subject to high initial decline rates. While Madalena is very encouraged by the initial results from the CAN-15(h) horizontal well, the flowback information disclosed above should be considered preliminary and is not indicative of the well's long-term performance. Ongoing technical work and operational enhancements are expected to continue to improve the Company's understanding of the ultimate potential of its Sierras Blancas horizontal oil play.

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.

Certain information in this document may constitute "analogous information" as defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), including, but not limited to, information relating to areas, assets, wells and/or operations that are in geographical proximity to or believed to be on-trend with lands held by Madalena. Such information has been obtained from public sources, government sources, regulatory agencies or other industry participants. Management of Madalena believes the information may be relevant to help define the reservoir characteristics in which Madalena may hold an interest and such information has been presented to help demonstrate the basis for Madalena's business plans and strategies.

However, such analogous information has not been prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook and Madalena is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Madalena has no way of verifying the accuracy of such information. There is no certainty that the results of the analogous information or inferred thereby will be achieved by Madalena and such information should not be construed as an estimate of future production levels or the actual characteristics and quality of Madalena's assets. Such information is also not an estimate of the reserves or resources attributable to lands held or to be held by Madalena and there is no certainty that such information will prove to be analogous in the future. The reader is cautioned that the data relied upon by Madalena may be in error and/or may not be analogous to such lands to be held by Madalena.

Notes to Disclosure of Resources

- (1) "Total Petroleum Initially In Place" means DPIIP + UPIIP. When calculating DPIIP, there is no material production or reserves associated with these properties. Contingent resources is the only category of DPIIP that has been categorized as recoverable. Prospective resources is the only category of UPIIP that has been categorized as recoverable. There is no certainty that it will be commercially viable to produce any portion of the contingent resources referred to in the tables above. There is no certainty that any portion of the prospective resources referred to in the tables above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.
- (2) Certain volumes are arithmetic sums of multiple estimates of contingent & prospective resources, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein. Details on the categories that comprise these calculations are in the tables that follow.

**Coiron Amargo Discovered Petroleum Initially In Place ⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Vaca Muerta Shale	242.6	244.4	246.2	0.077	0.077	0.078	255.4	257.4	259.2

Note:

- (1) When calculating DPIIP, there is no material production or reserves associated with these properties. All DPIIP, other than contingent resources, has been categorized as unrecoverable. There is no certainty that it will be commercially viable to produce any portion of the resources referred to in the table above.
- (2) These volumes are arithmetic sums of multiple estimates, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein.

**Coiron Amargo Contingent Resources⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Vaca Muerta Shale	5.8	18.3	30.6	0.002	0.006	0.01	6.1	19.3	32.2

Notes:

- (1) There is no certainty that it will be commercially viable to produce any portion of the resources referred to in the table above.

**Coiron Amargo Undiscovered Petroleum Initially In Place ⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Vaca Muerta Shale	2,687.8	2,717.5	2,747.5	0.851	0.861	0.870	2,829.7	2,860.9	2,892.5

Notes:

- (1) Prospective resources is the only category of UPIIP that has been categorized as recoverable. There is no certainty that any portion of the resources referred to in the table above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.
- (2) These volumes are arithmetic sums of multiple estimates, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein.

**Coiron Amargo Prospective Resources⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Vaca Muerta Shale	122.7	249.7	377.2	0.039	0.079	0.119	129.2	262.9	397.1

Notes:

- (1) Prospective resources is the only category of UPIIP that has been categorized as recoverable. There is no certainty that any portion of the resources referred to in the table above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.

**Curamhuele Undiscovered Petroleum Initially In Place⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Lower Agrio Shale	3,835.7	4,763.4	5,834.0	2.777	3.955	5.443	4,298.4	5,422.5	6,741.2
Vaca Muerta Shale	7,884.8	9,642.9	11,762.2	17.405	52.017	90.208	10,785.7	18,312.3	26,796.9
Total	11,720.5	14,406.2	17,596.2	20.182	55.971	95.651	15,084.2	23,734.8	33,538.1

Notes:

- (1) Prospective resources is the only category of UPIIP that has been categorized as recoverable. There is no certainty that any portion of the resources referred to in the table above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.
- (2) These volumes are arithmetic sums of multiple estimates, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein.

**Curamhuele Prospective Resources⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Lower Agrio Shale	86.1	328.6	596.2	0.070	0.266	0.524	97.8	373.0	683.5
Vaca Muerta Shale	174.7	667.4	1,207.4	0.663	2.942	8.096	285.2	1,157.6	2,556.7
Total	260.8	996.0	1,803.6	0.733	3.208	8.620	382.9	1,530.6	3,240.2

Notes:

- (1) There is no certainty that any portion of the resources referred to in the table above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.

**Cortadera Undiscovered Petroleum Initially In Place⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012**

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Basal Quintuco	46.8	108.8	184.8	16.234	22.706	29.003	2,752.4	3,893.1	5,018.6
Vaca Muerta Shale	52.8	118.0	184.4	22.277	23.656	25.082	3,765.6	4,060.6	4,364.7
Total	99.6	226.8	369.2	38.510	46.362	54.085	6,518.0	7,953.7	9,383.3

Notes:

- (1) Prospective resources is the only category of UPIIP that has been categorized as recoverable. There is no certainty that any portion of the resources referred to in the table above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.
- (2) These volumes are arithmetic sums of multiple estimates, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained herein.

Cortadera Prospective Resources⁽¹⁾ (net to Madalena)
Oil, NGLs and Natural Gas at December 31, 2012

	Oil & NGLs (MMbbl)			Natural Gas (Tcf)			Oil & NGLs + Natural Gas (MMboe)		
	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10	Low Estimate P90	Best Estimate P50	High Estimate P10
Basal Quintuco	5.6	14.0	27.2	1.745	2.932	4.569	296.5	502.6	788.7
Vaca Muerta Shale	6.4	14.8	27.6	1.958	3.189	4.428	332.7	546.3	765.6
Total	12.0	28.8	54.8	3.703	6.121	8.997	629.2	1,048.9	1,554.3

Notes:

- (1) Prospective resources is the only category of UPIIP that has been categorized as recoverable. There is no certainty that any portion of the resources referred to in the table above will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of these resources.

Definitions

- "Contingent resources" Definition: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.
- "Discovered petroleum initially-in-place" or "discovered resources" or "DPIIP" Definition: That quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves and contingent resources; the remainder is unrecoverable.
- "Prospective resources" Definition: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.
- "Total petroleum initially-in-place", "total resources" or "TPIIP" Definition: That quantity of petroleum that is estimated to exist originally in naturally occurring accumulations; equal to DPIIP plus UPIIP. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.
- "Undiscovered petroleum initially-in-place", "undiscovered resources" or "UPIIP" Definition: That quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially-in-place is referred to as prospective resources; the remainder is unrecoverable.

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