

**NOT FOR DISTRIBUTION TO UNITED STATES NEWS WIRE SERVICES OR  
DISSEMINATION IN THE UNITED STATES****MADALENA VENTURES INC.  
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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 CAS X-2 vertical exploration well in the center of the block has been cased as a potential oil discovery. The well was drilled and cased to a total depth ("TD") of 11,522 feet (3,512 meters). In the Sierras Blancas formation the well encountered a potential gross hydrocarbon column of 70 feet (21 meters). The Vaca Muerta formation interval was found to be 433 feet (132m) thick. Once current operations are completed the drilling rig is expected to move to the northern portion of the block in order to drill two further wells in existing discovered Sierras Blancas pools.

At CAS X-1, flow testing of the Vaca Muerta continues where a survey will be performed to determine the production contribution from each frac stage interval. A large three stage hydraulic fracture stimulation of the Vaca Muerta formation was completed as programmed in January 2012. At CAS X-4, testing has commenced on several horizons below the Vaca Muerta shale formation. At this well location a full diameter core was taken through most of the Vaca Muerta 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.

On the Cortadera Block, Apache Energia Argentina S.R.L. and the Company have completed a two stage hydraulic fracture stimulation of the Vaca Muerta formation in the CorS X-1 vertical exploration well drilled on the block in September 2011. A total of 610,000 pounds of high strength sintered bauxite was utilized in the stimulation treatment. The testing program is now under way for the Vaca Muerta formation. 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. Further work to assess additional uphole formations (Quintuco, Mulichinco, and Agrio zones) is expected to be carried out following the Vaca Muerta test.

On the Curamhuele Block, preparations continue to complete a hydraulic fracture stimulation of 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 previous tests of light oil from three existing wells in the Agrio formation. The planned operation would be the first hydraulic fracture stimulation of the Lower Agrio shale in the Neuquén Basin. Dwayne Warkentin, President and CEO of Madalena commented "We are very excited at the prospect of applying our growing shale oil and shale gas experience in the Neuquén Basin to Curamhuele where we have a 90% interest. By integrating our shale experience with our previous seismic, drilling and testing programs on the block together with recent outcrop work, we've identified several prospective non-conventional formations on the block which we plan to test over the next 12 months".

Madalena is also pleased to announce that an application by the Coiron Amargo joint venture to convert the northern 108 km<sup>2</sup> of the 404 km<sup>2</sup> block to a 25 year exploitation concession has been approved by the Province of Neuquén. In addition, the exploration period for the remainder of the Coiron Amargo Block and the Curamhuele Block has been extended to November 8, 2013. The extension of the Coiron Amargo and Curamhuele blocks will require additional work commitments of US\$ 51.1 million (Madalena share – US\$ 29.3 million). The majority of the drilling commitments are expected to be fulfilled by Madalena's 2012 drilling programs. At the end of the exploration period, fifty percent of the blocks remaining area must be relinquished

or converted into an exploitation concession. Both exploration blocks qualify for an additional one year extension period at the end of their exploration periods in the fourth quarter of 2013.

## **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".

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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](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.

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