



Madalena Ventures

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Madalena Ventures validates massive upside potential of Argentina assets based on "high quality" figures

Madalena Ventures (CVE:MVN) impressed analysts at Casimir Capital today, resulting in a sharp boost in the company's share price target on the back of "strong validation" of its Argentina assets and massive upside potential, as it released a resource report uncovering an estimated 34.8 billion oil equivalent barrels of petroleum initially in place.

The junior oil and gas play continues to ramp up production through its horizontal resource plays in Western Canada, while also driving forward plans to further unlock value across its shale assets within the Neuquen basin in Argentina.

Indeed, on Tuesday, Madalena released a resource statement on its unconventional shale resources on its three land blocks within the Neuquen basin.

The report, done by Ryder Scott Petroleum Consultants, showed a best case scenario of 34.8 billion barrels of oil equivalent total petroleum initially in place, 51 per cent of which is made up of crude oil and natural gas liquids.

Of this, in the best case, 257.4 million barrels of oil equivalent were "discovered petroleum initially in place", while 34.6 billion barrels of oil equivalent were termed "undiscovered".

Best case contingent plus prospective recoverable resources were estimated at 2.9 billion barrels of oil equivalent - 4 times higher than Casimir Capital's forecast - comprised of 19.4 million barrels of "contingent" recoverable resources, and 2.8 billion barrels of "prospective" recoverable resources.

Madalena holds 135,000 net acres on the Coiron Amargo, Curamhuele and Cortadera blocks within the Neuquen basin. The company's exposure to multiple, high impact tight sand plays in the Neuquén Basin is key, specifically the Vaca Muerta shale - which the company calls the most tangible shale play outside of North America.

The main zones of interest for the independent resource evaluation focused on the Vaca Muerta shale, the Lower Agrio shale and Basal Quintuco, the company said, with the report based on data from 19 delineation and discovery wells on the blocks, as well as 3D or 2D seismic coverage.

"With 34.8 billion net barrels in-place resource and 2.9 billion net recoverable, (8.3% RF), Madalena has provided solid results to support the value of Argentine assets," wrote Casimir Capital analyst Ryan Galloway in an emailed research report on Tuesday.

"This is the first major resource report provided to the market since YPF and Andes Energia provided figures a year ago, and is also the first report with resource assessments for the Agrio Shale (373 mmboe) and Basal Quintuco (503 mmboe)."

The Coiron Amargo block, where Madalena is now working on a drill program with partners, is located within the heart of the Vaca Muerta oil play and is also within kilometres of the recently announced Chevron and Bidas proposed billion

Price: C\$0.34

Market Cap: C\$113.15M

1 Year Share Price Graph



Share Information

Code: MVN

Listing: TSX-V

Sector: Oil & Gas Exploration & Production

Website: www.madalena-ventures.com

Company Synopsis:

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.

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dollar farm-in deals on Argentina-based YPF's lands.

Shell also recently announced a Vaca Muerta shale oil discovery in Argentina, which is the first shale discovery in the country. The discovery well, which tested at 465 barrels per day of 35 degree API oil, is located directly south and adjacent to Madalena's Coiron Amargo block.

Galloway also highlighted in his report that the resource evaluation was prepared by Ryder Scott - "who has been involved in most resource reporting to-date and is considered an expert in the Vaca Muerta".

"Figures are high quality, based on substantial drilling and delineation by both Madalena and insights Ryder gained from other players, but represents only a portion of Madalena's total acreage," he adds.

The analyst makes note of the fact the resource report provides a "high level of credibility" for Madalena to pursue further joint venture arrangements, or options including a partial or entire sale. "We see this worth many multiples of current stock price even at conservative valuations," Galloway wrote.

He calculates that even using a conservative \$1 per barrel of oil equivalent just on Coiron Amargo, the most delineated block, this yields an incremental value of \$0.90/sh.

As a result of the improved joint venture prospects and the validation of potential for the Argentinean assets, Galloway raised his price target by more than double to \$3.50 from \$1.30 previously. Madalena's shares rose as high as 29 cents on Tuesday Morning, up from an open of 26 cents.

The Canadian oil and gas company also released its 2012 financial results on Tuesday, showing a strong balance sheet with positive working capital of around \$30 million and zero debt.

Oil and gas revenue last year rose sharply to \$5.55 million from \$2.60 million in 2011, as net losses narrowed to 3 cents per share in 2012 from 6 cents per share. Total average daily production increased to 258 barrels of oil equivalent per day, up from 108 barrels in the prior year.

Meanwhile, the company said that at its Canadian assets, total company proved plus probable reserves of 3.894 million barrels of oil equivalent more than doubled from the equivalent figures at year-end 2011. The reserve net present value of proved plus probable reserves before tax, discounted at 10 per cent, was \$33.7 million.

It said in the release that a large inventory of horizontal locations on Madalena's western Canadian lands remain unbooked. In Canada, Madalena has a current base production of roughly 1,200 boe/d, with more than 1,200 boe/d of tested volumes behind pipe from the recently completed horizontal development wells in its Greater Paddle River area, expected to come on stream in the second quarter.

Looking ahead, for the rest of the year, the company plans to have ongoing operations on its Argentinean and Canadian assets, focused mainly on horizontal development work in both jurisdictions, high impact unconventional shale drilling, and the acquisition of 3D seismic on key exploration acreage internationally.

"With high impact unconventional shale drilling [in Argentina] planned for this year and billion plus dollar joint ventures taking place surrounding Madalena's acreage, we are focused on unlocking significant value from our international activities in 2013 onward," CEO Kevin Shaw told Proactive Investors in emailed comments this morning.

"Driven by the Vaca Muerta and Lower Agrio shales, the prize in-country for Madalena is considered home run territory within the international E&P sector, with the size and scalability which the major E&Ps are looking for from a resource in-place and reserve replacement perspective."

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