



# Madalena Ventures

May 29<sup>th</sup> 2013

## Near-term catalysts ahead for Madalena Ventures, analysts say

After steering revenue sharply higher in the first quarter, analysts see several catalysts for Madalena Ventures (CVE: MVN) in the near-term.

Madalena plans to begin a six-well drilling program on the Coiron Amargo Block in Argentina. Analysts at Mackie Research, in a note released this morning, say they believe Chevron's \$1.5 billion joint venture plan with Argentina's state-owned YPF on nearby properties will have a residual impact on Madalena. That deal is expected to close in July of 2013.

The second of three primary catalysts that Mackie says will drive the stock is the farm-out of its Curamhuele block to a "major or supermajor." Indeed, Argentina's shale play has attracted the interest of many oil and gas producers searching for new resources. Amongst them is Chevron (NYSE: CVX), which says Argentina has the second largest unconventional oil resource after the United States.

The world's biggest producer, ExxonMobil (NYSE: XOM), has also ventured into the South American nation. Exxon is investing \$250 million to explore Vaca Muerta shale, where Madalena has interests in two blocks.

Mackie, which has a \$2.15 price target and buy rating on Madalena, sees light oil potential in the Vaca Muerta and Lower Agrio.

With regard to Madalena's Canadian assets, in the Paddle River area in western Canada, Mackie says investors should keep an eye on test results, expected in July, from the Nordegg well.

Mackie sees upside in the Nordegg resource, but says "the real gem" in Madalena's portfolio is the assets in Argentina.

In a previous note, Mackie said the Neuquén basin in Argentina has "world class resource potential." Madalena holds three large blocks within the basin and Mackie says the company is "well positioned to capitalize on the unconventional plays."

National Bank says Madalena's financial position is strong and expects production to ramp up into the second half of the year. The company is pooling \$34 million into its capital expenditures budget for the year from existing working capital, cash flow from operations and a bank line of credit.

"We continue to see an attractive risk-reward proposition at current levels," National Bank analysts wrote in a note released after first quarter results, which were in line with the banks's estimates.

National Bank has a \$1.20 price target and an outperform rating on the stock.

For the first three months of the year, Madalena's cash flow per share was flat on 872 barrels per day of production, compared to 62 boe/d in the equivalent period a year ago.

Oil and gas revenue climbed to \$3.61 million from \$0.40 million in the prior-year period. The Calgary-based company's net loss widened to \$2.32 million, or a loss of one cent per share as capital expenditures grew, from a net loss of \$1.17 million, or breakeven per share, in the year-ago period.

**Price:** C\$0.38

**Market Cap:** C\$120.11M

### 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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