



# Madalena Energy

Sep 18<sup>th</sup> 2014

## Industrial Alliance assigns Madalena Energy a price target that is almost triple current value

Madalena Energy (CVE:MVN) has a solid foundation for growth with its high impact horizontal plays, according to analysts at Industrial Alliance Securities, which initiated coverage on the junior oil and gas producer with a buy rating and C\$1.35 price target.

The company has exposure to both domestic and international exploration and development plays, with approximately 100,000 net acres in Western Canada, and 1.0 million net acres in Argentina, including in the famous Vaca Muerta shale.

"Leave the elephant hunting to Africa; this is dinosaur territory with dino size prize potential. Madalena offers investors a low cost entry into development plays in Alberta while providing significant near and medium term international upside in Argentina," wrote analyst Michael Charlton in the research note released to clients earlier Thursday.

"The company has a solid mix of high impact horizontal resource plays, prime unconventional shale acreage in the Vaca Muerta and Agrio Shales, and a large portfolio of conventional development & exploration assets.

"Optionality on success is high, with even a small percentage of the company's land base potentially yielding net asset value additions that are multiples above current share prices."

Argentina has become an oil and gas destination, with the country estimated to hold 27 billion barrels of technically recoverable oil and 802 trillion feet of technically recoverable shale gas, much of it attributed to the prized Vaca Muerta shale formation in the Neuquen basin, the fourth largest shale oil deposit in the world.

Madalena's acreage is positioned in some of the key areas of the basin where the highest activity levels in terms of dollars spent offset its blocks.

Charlton writes that Madalena has a solid Argentina production base, along with multi-billion barrel international upside.

"The shale formations that Madalena is targeting are simply massive in both the Vaca Muerta and Agrio shales. They are exponentially larger than some of the most highly explored and developed shale resources found to-date, such as the Bakken and Eagle Ford shale plays."

"Madalena also has a large land position and big upside in the Mulichinco tight sand play which is similar to the Canadian Montney," the analyst added.

Madalena, following its acquisition of Gran Tierra's Argentinean assets in June, now has 14 concessions across Argentina over 1 million net acres of land, compared with three blocks over 132,000 acres previously. It now has a major foothold in an area dominated by industry majors like YPF, Chevron, Total, Exxon and several others.

It also has a land base with more than 150 net sections in Western Canada, with a large inventory of horizontal development locations.

**Price:** C\$0.46

**Market Cap:** C\$254.658M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

**Sector:** Oil & Gas Exploration & Production

**Website:** www.madalenaenergy.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.*

### Author:

**Deborah Bacal** +44(0)1202770386

action@proactiveinvestors.com



The Industrial Alliance analyst believes the horizontal development plays in Canada maintain a significant inventory of drill ready horizontal locations across three key resource plays in the Western Canadian Sedimentary Basin that could "exponentially grow both production and cash flow."

Additional opportunities for potential Viking oil, Rock Creek oil and the Duvernay shale also exist, he said.

And the company has near-term production in sights. Earlier this summer, it announced an active drilling program to take place in Argentina and Canada in the remainder of 2014, setting itself up for a busy 2015.

"With very favorable results from the area to-date, 2014 could be a monumental year for Madalena investors," Charlton wrote.

Over the next 17 months, the company is planning to invest its cash flow and financial resources on a combination of lower risk, conventional development drilling and on unconventional shale and tight sand delineation in the Vaca Muerta and Lower Agrio shales of Argentina.

It will also continue to seek potential partners on its multiple blocks to deliver on its farm-out strategy.

The Industrial Alliance analyst said that while both its Argentinean and Canadian plays provide attractive economics, Madalena's resource potential and overall asset portfolio in Argentina dwarfs its Canadian development potential.

He highlighted the company's recent acquisition of assets from Gran Tierra as "highly accretive", adding significantly daily production volumes and cash flow, with a large inventory of drilling locations, solidifying "Madalena as a sizeable, emerging player within the Argentina energy sector."

Shares of Madalena rose over 2 percent today to 47 Canadian cents.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us ■ +44 (0)1202 770386 ■ [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

## No investment advice

Proactive Investors UK Limited, trading as "Proactiveinvestors United Kingdom", is authorised and regulated by the Financial Services Authority. Registered in England with Company Registration number 05639690. Group VAT registration number 872070825 FSA Registration number 559082. You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.