UK: +44 (0)1202 770386
NA: +1 646 896 3065
AU +61 2 9222 2832
action@proactiveinvestors.com
www.proactiveinvestors.com

Madalena Energy

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Madalena more than doubles year-end 2P reserves on Argentina growth

Madalena Energy (CVE:MVN) (OTC:MDLNF), which is focused on oil and gas in Argentina, said its proved plus probable (2P) reserves at year-end 2014 increased 155 percent from a year earlier, while net present value more than tripled.

The gains are on the back of Madalena's acquisition of Gran Tierra's Argentinean assets last year, which boosted its concessions across the country to over 14, stretching over 1 million net acres of land with a major foothold in an area dominated by industry majors such as YPF, Chevron, Total and Exxon.

The Canadian junior also achieved success on its horizontal drilling projects on its Argentina properties in 2014, creating what is says is a solid platform for future growth.

As at December 31, 2014, proved plus probable reserves stood at 11,494 MBoe, up from 4,505 MBoe. Net present value at a 10 percent discount rate for 2P reserves, before tax, climbed 297 percent to $199.39 million, primarily supported by Madalena's conventional assets, it said.

Oil and liquids now account for 72 percent of its proved plus probable reserves, up from 50 percent a year earlier. Meanwhile, finding, development and acquisition (FD&A) costs were $21.66 per barrel of oil equivalent for 2P reserves.

The company noted that there are no reserves associated with its Vaca Muerta shale, Lower Agrio shale, or Mulichinco resource plays, other than 105 MBoe for minor Vaca Muerta producing and non-producing wells. However, its unconventional shale assets in Argentina, prior to the Gran Tierra acquisition, were estimated in 2012 to hold 34.8 billion boe of total petroleum resources.

Madalena said the majority of the proven undeveloped reserves in Argentina are from six Sierras Blancas conventional horizontal wells at its Coiron Amargo block, and three horizontal wells at Puesto Morales. It is currently drilling at both fields, with a well at Sierras Blancas expected to be tied in for production in March. Better performance on its Sierras Blancas play boosted 2P reserves by 60 percent in 2014, it added.

Price: C$0.265

Market Cap: C$148.44M

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 Calgary, Alberta-based company's 2P reserve replacement ratio --- which measures the amount of proved reserves added to its reserve base during the year relative to the amount of oil and gas produced --- was 763 percent.

In January, Madalena suspended gas production temporarily in Western Canada as a result of a shutdown of a third-party processing plant, with negative revisions on its existing Canadian 2P reserves offseting additions from its Nordegg West Cove well, it said. Proven plus probable reserves declined 13 percent in Canada year-over-year, and Madalena is expecting an impairment charge on its Canadian assets for 2014.

Madalena, unlike many oil and gas juniors, can weather the current downturn in oil prices, as oil prices in the regulated domestic market in Argentina continue to remain well above the Brent oil benchmark price. Indeed, the Medanito posted price for its Argentina oil production in February was US$76.00 per barrel. Also, as a result of the temporary shut-in of its Paddle River plant in Canada, virtually all of its remaining gas production there is hedged.

The company, which recently appointed Steven Sharpe as its new chairman, is planning to release its year-end financial results during the week of April 13th, followed by an Argentina investor tour the week of April 20th.