



# Madalena Energy

May 30<sup>th</sup> 2014

## Madalena Energy triples production through purchase of Gran Tierra's Argentinean assets

Madalena Energy (CVE:MVN) has agreed to acquire the Argentinean conventional oil business of Gran Tierra Energy (TSE:GTE) in a US\$63 million deal that will more than triple the junior company's production base and significantly increase cash flow from its assets in the region.

The "transformational" deal will see Madalena add 6,513 mboe of proven and probable reserves to its existing 132,000-acre asset base in Argentina's prolific Nequen Basin, acquiring another 3,300 barrels of oil equivalent per day (boe/d) of production.

The acquisition of 11 exploration and production blocks stretching approximately 890,000 net acres also comes with a fully functional independent business unit in Argentina, with an experienced technical and operational team, according to Madalena's statement released late Thursday.

Madalena said it would pay the purchase price in US\$49 million of cash and 27.66 million common shares at a deemed price of 55 Canadian cents apiece.

In conjunction with the deal, the junior oil and gas producer has also agreed to a C\$50 million bought deal equity financing, the proceeds of which will be held in escrow pending satisfaction of all conditions related to the closing of the acquisition.

As a result of the transaction, Madalena said Thursday that it estimates pro forma annual cash flow of US\$35 to US\$45 million over the next 12 months, which is anticipated to provide the company with the ability to execute a US\$50 to US\$60 million capital program.

Its production is expected to rise approximately 4,900 boe/d, 80% of which will be from Argentina, with cash flow expected to be reinvested into both high impact conventional opportunities in the region, as well as to accelerate development of its unconventional shale and tight sand resources within the Nequen basin.

The company said the deal will provide a strong portfolio of assets with exposure to a stable production base, an inventory of low risk development drilling opportunities, and significant unconventional shale potential with its famous Vaca Muerta plays.

Madalena has been a significant holder of acreage in the Vaca Muerta shale since 2007, back when the whole play was just an engineering pipe dream and before the recent bustle of drilling action by industry majors. Vaca Muerta is believed to be the world's second largest shale gas and fourth largest shale oil formation, with the area containing an estimated 27 billion barrels of shale oil.

"The combination of achieving critical mass in Argentina and the addition of a fully integrated professional and operating team in country will assist Madalena in accelerating a growth strategy that is balanced between conventional production focused development, and the delineation of the company's unconventional shale and tight sand resources," said Madalena president and CEO Kevin Shaw in the release.

"I look forward to having the Argentina based Gran Tierra team join us in delivering this conventional growth and assisting us in the delineation and prove-up of Madalena's unconventional resources."

**Price:** C\$0.63

**Market Cap:** C\$250.04M

### 1 Year Share Price Graph



### Share Information

**Code:** MVN

**Listing:** TSX-V

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

**Website:** [www.madalenaenergy.com](http://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



Post acquisition, the company will have a reserve life index of 5.41 years, it said, based on current estimated production and proven and probable reserves. The deal will also bring key producing infrastructure, including batteries and pipelines.

Madalena, which estimates positive working capital of US\$5.0 million after all transaction costs, said it would provide additional guidance following the closing of the acquisition and the approval of a consolidated budget.

The junior oil and gas player also released late Thursday its first quarter financial results, which revealed a net profit of \$297,000, or flat per share, compared to a net loss of \$2.32 million, or 1 cent per share, in the year ago period. Oil and gas revenue nearly doubled to \$6.3 million from \$3.6 million on a 31% increase in production from the first quarter of 2013 and a 93% rise in operating netbacks, to \$29.61 per boe.

The company has current production of approximately \$1,600 boe/d from its assets, which includes land in the Greater Paddle River area of Alberta. It spent a total of \$12.5 million in the first quarter, or about 26% of its planned \$48 million 2014 capital budget.

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.