

# Madalena Announces 2019 Second Quarter Financial Results and Operational Update, Including Progress on Its Vaca Muerta Shale Drilling at Coiron Amargo Sur Este

19.08.2019 | [Newsfile](#)

(All dollar figures are expressed in United States Dollars)

Buenos Aires, August 19, 2019 - [Madalena Energy Inc.](#) (TSXV: MVN) (OTCQX: MDLNF) ("Madalena" or the "Company") is pleased to announce its financial and operating results for the three months ended June 30, 2019.

Madalena's CEO Jose Penafiel commented: "We are pleased with progress on our CASE horizontal drilling program with our partner, Pan American Energy. We are also happy to announce that an additional well has been added to the 4 well drilling program for a total of 5 horizontal wells that will further delineate the potential of the CASE block. Preparation for and commencement of this important drilling and completions program is the main reason why our capital expenditures increased to \$2.7 million in the second quarter as activity increased in CASE."

## CONFERENCE CALL

As previously announced, the Company will hold an investor conference call to discuss the Company's operating and financial results on Tuesday, August 20, 2019 at 8:00 a.m. MDT (10:00 a.m. EDT). Analysts and investors are invited to participate using the following dial-in numbers:

Local Dial-in Number: (+1) 587 880 2171

Toll Free Dial-in Number North America: (+1) 888 390 0546

Toll Free Dial-in Number United Kingdom: 0800 652 2435

Toll Free Dial-in Number Argentina: 0800 444 8221

## SUMMARY FINANCIAL AND OPERATIONAL RESULTS

Selected information is outlined below and should be read in conjunction with Madalena's unaudited condensed interim consolidated financial statements for three months ended June 30, 2019 and the associated management's discussion and analysis ("MD&A"), which are available for review under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.madalenaenergy.com](http://www.madalenaenergy.com).

	Three months ended	
	Jun 30	
	2019	2018
Financial - (\$000s, except per share amounts)		
Oil and gas revenue	8,979	9,802
Funds flow from (used in) continuing operations <sup>(1)</sup>	577	2,469
Per share - basic & diluted <sup>(1)</sup>	0,00	0,00

Net loss from continuing operations	(2,268)	(3,514)
Per share - basic & diluted <sup>(1)</sup>	(0,00)	(0,01)
Capital expenditures	2,745	1,983
Working capital (deficiency)	(1,420)	(2,137)
Common shares outstanding - 000s	544,060	544,060
Operating		
Average Daily Sales		
Crude oil and Ngl's - Bbls/d	1,734	1,608
Natural gas - Mcf/d	1,655	1,423
Total - Boe /d	2,010	1,845
Average Sales Prices		
Crude oil and Ngl's - \$/Bbl	52.85	61.95
Natural gas - \$/Mcf	4.24	5.71
Total - \$/Boe	49.09	58.39
Operating Netbacks <sup>(2)</sup> - \$/Boe	9.86	23.72

(1) This table contains the term "funds flow from continuing operations", which is a non-GAAP measure and should not be considered an alternative to, or more meaningful than "cash flows from operating activities" as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of the Company's performance. Funds flow from operations and funds flow from operations per share (basic and diluted) do not have any standardized meanings prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from continuing operations to analyze operating performance and considers funds flow from continuing operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investment. The reconciliation between funds flow from continuing operations and cash flows from operating activities can be found in the MD&A. Funds flow from continuing operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings (loss) per share.

(2) Operating netback is a non-GAAP measure calculated as the average per boe of the Company's oil and gas sales, less royalties and operating costs.

## Operations Update

### Production

July production was approximately 2,000 barrels of oil equivalent ("boe/d") (86% crude oil) before royalties, in line with most recent corporate guidance and little changed from 2,010 boe/d in the second quarter of 2019.

### Operational Activities - Vaca Muerta Drilling Commenced in CASE

#### Coiron Amargo Sur Este (CASE); 35% non-operated

The first well of the previously announced four well drilling program (CASE-101h) has been successfully drilled and completed. A 2000m lateral has been drilled and completed in the Vaca Muerta formation in 47 days versus 54 days planned in the drilling prognosis. Flowback of the well started August 8 and is currently in progress. A fifth well has been added to the current campaign. Drilling operations of the second well (CASE-501h) are ongoing, the vertical section has been drilled, cased and cemented and drilling of the horizontal section has started.

As previously described, well locations have been selected to confirm and improve on the results obtained from two previously drilled and completed wells, as well as to further delineate the continuity of productive potential in the Vaca Muerta across specific targeted areas of the CASE block to optimize the development program.

## Palmar Largo and El Surubi

The company is currently reviewing Workover candidates in Palmar Largo with updated information recently received from the previous operator. A preliminary review shows that better candidates than the originally selected well could exist.

## Curamhuele (90% operated)

As previously described, the company received approval for a 2 year extension on the Curamhuele concession based on its proposal to drill one vertical well in a new location to vertically test the Vaca Muerta and Lower Agrio formations, which extended the exploratory period of the concession by an additional twenty four months, expiring on March 9th, 2021.

The company is moving forward with drilling planning activities to drill the vertical well to test Vaca Muerta and Lower Agrio formations to fulfill the commitments in 2020.

## Rinconada - Puesto Morales (100% operated)

One Vertical Exploratory Well is planned for the second half of 2019. Madalena has defined an Exploratory Well location in Puesto Morales South targeting a new Sierras Blancas Formation structural prospect, with the Loma Montosa Formation as secondary target. Additionally, the company is reviewing producing wells for workover opportunities in the Loma Montosa Formation.

## Upcoming News Events

We expect to announce our Q3 2019 operations update in early- to mid-October, and our Q3 financial results in early- to mid-November.

## About Madalena Energy

Madalena is an independent upstream oil and gas company with both conventional and unconventional oil and gas operations in Argentina. The Company's shares trade on the TSX Venture Exchange under the symbol MVN and on the OTCQX under the symbol MDLNF.

For further information please contact:

Jose David Penafiel  
Chief Executive Officer  
email: [info@madalenaenergy.com](mailto:info@madalenaenergy.com)  
phone: (403) 262-1901

Ezequiel Martinez Ariel  
CFO  
Email: [info@madalenaenergy.com](mailto:info@madalenaenergy.com)  
Phone: (403) 262-1901

or

Jamie Somerville  
Hoot Research /  
Storyboard Communications  
Email: [info@hootresearch.com](mailto:info@hootresearch.com)  
phone: (403) 770-1545

## Reader Advisories

### Forward Looking Information

The information in this news release contains certain forward-looking statements. These statements relate to future events or our future performance, in particular, but not limited to, expected timing of various workovers and drilling programs and release of the Company's Q3 operations update. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "approximate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in commodity prices and foreign exchange and interest rates; stock market volatility and market valuations; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits the Company will derive from them. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The forward-looking statements in this news release are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements. Investors are encouraged to review and consider the additional risk factors set forth in the Company's Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Non-GAAP Measurements

The Company utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including operating netback and funds flow from continuing operations. Readers are referred to advisories and further discussion on non-GAAP measurements contained in the Company's MD&A. Operating netback is a non-GAAP measure calculated as the average per boe of the Company's oil and gas sales, less royalties and operating costs. Funds flow from continuing operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings (loss) per share.

### Meaning of Boe

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

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