

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Madalena Energy Inc		
Reporting Year	From 01/01/2018	To: 31/12/2018	Date submitted 09/04/2019
Reporting Entity ESTMA Identification Number	E615230	<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report	
Other Subsidiaries Included (optional field)			
Not Consolidated			
Not Substituted			
Attestation by Reporting Entity			
<i>In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.</i>			
Full Name of Director or Officer of Reporting Entity	Ezequiel Ariet Martinez	Date	09/04/2019
Position Title	Chief Financial Officer		

Reporting Entities May
Insert Their Brand/Logo here

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year	From: 01/01/2018	To: 31/12/2018	
Reporting Entity Name	Madalena Energy Inc		Currency of the Report CAD
Reporting Entity ESTMA Identification Number	E615230		
Subsidiary Reporting Entities (if necessary)			

Payments by Payee

Country	Payee Name ¹	Departments, Agency, etc... within Payee that Received Payments ²	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes ^{3,4}
Argentina	AFIP-Administracion Federal de Ingresos Publicos-Federal government		965,000							965,000	
Argentina	AFIP-Administracion Federal de Ingresos Publicos-Provincial government		1,529,000							1,529,000	
Argentina	Gas y Petroleum del Neuquen Sociedad Anonima				2,480,000					2,480,000	
Argentina	Ministerio de Economia y Hacienda	Rentas Generales Rio Negro		130,000						130,000	
Argentina	Provincia de Formosa			2,005,000	113,000	444,000				2,562,000	
Argentina	Provincia del Neuquen Administracion Central			673,000	155,000		2,474,000			3,302,000	
Argentina	Regalias de crudo - Puesto Morales Rio Negro			3,085,000						3,085,000	
Argentina	Regalias de Gas - Rinconada Puesto Morales Sur			591,000						591,000	
Argentina	Rentas Generales de la Provincia de Rio Negro		110,000							110,000	
Argentina	Tesoreria de la Provincia de Salta			285,000						285,000	
			2,604,000	6,769,000	2,748,000	444,000	2,474,000	-	-	15,039,000	

Additional Notes:	Exchange Rate	
	Payments made from January 1/18 until September 30/18 in currencies other than Canadian dollars are translated for this report based on the foreign exchange rate at the relevant quarterly average rate which approximate the exchange rate at the time the transactions occurred.	
	The following quarterly rates were used in 2018	
	Peso to USD	USD to CAD
	Q1 2018	Q1 2018
Q2 2018	Q2 2018	
Q3 2018	Q3 2018	
Q4 2018	Q4 2018	

¹ Enter the proper name of the Payee receiving the money (i.e. the municipality of x, the province of y, national government of z).

² Optional field.

³ When payments are made in-kind, the notes field must highlight which payment includes in-kind contributions and the method for calculating the value of the payment.

⁴ Any payments made in currencies other than the report currency must be identified. The Reporting Entity may use the Additional notes row or the Notes column to identify any payments that are converted, along with the exchange rate and primary method used for currency conversions.

Madalena Energy Inc
Report on Payments to Governments for the Year 2018
December 31, 2018

Introduction

This report provides an overview of the payments to governments made by Madalena Energy Inc and its subsidiaries (hereinafter referred to as "Madalena") for the year ended December 31, 2018 as required under the Extractive Sector Transparency Measures Act (the "Act"/ "ESTMA"). This Act, as enacted on June 1, 2015 requires extractive entities to report annually on payments made to governments relating to the commercial development of oil, natural gas, or minerals, at home and abroad.

This Report is available for download from http://www.madalenaenergy.com/download/ESTMA_2018_Reporting_Madalena_Energy_Inc.pdf

Basis for Preparation - Report on Payments to Governments for the year 2018.

Legislation

This report is prepared in accordance with ESTMA as enacted on June 1, 2015.

Reporting Entity

This report includes payments to governments made by Madalena Energy Inc. and its subsidiary undertakings ("Madalena"). Payments made by entities over which Madalena has joint control and is not the operator, are excluded from this report.

Activities

Payments made by Madalena, to governments, relating to the commercial development of oil, natural gas, or minerals, at home and abroad are disclosed in this report.

Government

Government includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government.

Project

Payments are reported at project level except that payments that are not attributable to a specific project are reported at entity level.

Project is defined as operational activities which are governed by a single contract, license, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project.

"Substantially interconnected" means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement, or other overarching legal agreement. Indicators of integration include, but are not limited to, geographic proximity, the use of shared infrastructure and common operational management.

Payment

The information is reported under the following payment types:

Taxes

These are taxes paid by Madalena on its income, profits or production (which include turnover taxes). Payments are reported net of refunds. Consumption taxes, personal income taxes, sales taxes, property and environmental taxes are excluded.

Royalties

These are payments from the rights to extract oil and gas resources, typically at set percentages of revenue less any deductions that may be taken.

Fees

These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to access the extractive resources, are excluded.

Production entitlements

These are the host government's share of production in the reporting period derived from projects operated by Madalena. This includes the government's share as a sovereign entity or through its participation as an equity or interest holder in projects within its sovereign jurisdiction (home country). Production entitlements arising from activities or interests outside of its home country are excluded.

In certain contractual arrangements, typically a production sharing contract, a government through its participation interest may contribute funding of capital and operating expenditures to projects, from which it derives production entitlement to cover such funding (cost recovery). Such cost recovery production entitlement is included.

There are no situations whereby a government settles Madalena's income tax obligation on behalf of Madalena.

Bonuses

These are payments for Bonuses. These are usually paid upon signing an agreement or a contract, or when a commercial discovery is declared, or production has commenced or reached a milestone. For the year-ended December 31, 2018, there was a bonus payment of \$2.5 millions made to Neuquen province government (project Coiron Amargo Southeast).

Dividends

These are dividend payments other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties. For the year-ended December 31, 2017, there were no reportable dividend payments to a government.

Infrastructure improvement payments

These are payments which relate to the construction of infrastructure (road, bridge, or rail) not substantially dedicated for the use of extractive activities. Payments which are of a social investment nature, for example building of a school or hospital, are excluded. For the year-ended December 31, 2017, there were no infrastructure improvement payments to a government.

OTHER

Operatorship

When Madalena makes a payment directly to a government arising from a project, regardless of whether Madalena is the operator, the full amount paid is disclosed even where Madalena as the operator is partially reimbursed by its non-operating venture partners through a partner billing process (cash-call).

Cash and in-kind payments

Payments are reported on cash basis. In-kind payments are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment, which can be at cost or market value or such value as stated in the contract. In-kind payments are reported in both volumes and the equivalent cash value. For the year-ended December 31, 2017 there were no in-kind payments to a government.

Materiality level

For each payment type, total payments below \$100,000 Canadian dollars to a government are excluded from this report.

Exchange Rate

Payments made from January 1/18 until September 30/18 in currencies other than Canadian dollars are translated for this report based on the foreign exchange rate at the relevant quarterly average rate which approximate the exchange rate at the time the transactions occurred.

The following quarterly rates were used in 2018

	Peso to USD	USD to CAD
Q1 2018	19.69	1.2647
Q2 2018	23.51	1.2911
Q3 2018	31.94	1.3070
Q4 2018	37.09	1.3204