



Madalena Energy (MVN (CN); MDLNF (US))
Target Price \$1.50+ (1000%+)

Trade Example

As of August 30, 2016

Company Background

Madalena Energy is a Canadian-listed oil and gas exploration and production (E&P) company

The company's operations are located **exclusively in Argentina**, predominantly in the Vaca Muerta, the home of the world's 2nd largest shale reserve

- In Argentina, the company has applied its Canadian E&P experience and expertise to its **conventional** assets (Puesto Morales, Surubi), drilling multi-stage horizontal wells
- The company currently produces ~3,000 boe/d from its conventional assets. Conventional production can grow to 5,000 boe/d by YE 2017
 - The company is evaluating raising liquidity for increased production through (i) a sizable asset-based credit facility and (ii) sale of non-core assets (in part or in whole).
- The company has received unsolicited indications of interest in its **unconventional** (shale) assets (Coiron Amargo, Curamhuele), which are located directly adjacent to acreage producing oil and gas and continuing to be developed major multi-nationals, such as, Exxon, Chevron, YPF, Total and Petrobras.

The Argentine political and economic environment has improved unbelievably under the Pres. Marci, an enormous amount of capital is waiting to be put to work in Argentina generally, and specifically in Argentina's most critical resource, energy.

Investment Thesis

Fundamental

- Sum of the parts analysis leads to **8x-12x+ return**
 - Growing *conventional* oil and gas assets (2P reserves alone **\$0.32/share**)
 - Blockbuster *unconventional* (shale) assets (132k net acres; **\$0.60-\$3.50/share**).
Vaca Muerta is exponentially larger than Bakken and Eagle Ford in the US.
- Only **pure Argentina** E&P with existing production and FCF positive
- NO long-term debt. Healthy cash balance. Blockbuster assets
- **Activism**: Maglan has installed 3 Board members, including the Chairman. Recently, dismissed CEO

Macro-elements and Technical factors

- Unwavering government support for oil and gas exploration and production
 - Argentina energy prices are fixed at **USD \$67.50/barrel** and **>\$5/mmBTU**. They will normalize to the free-market price over a period of time
- Revolutionary new Presidential regime; focus on economic-development
 - 13 year-old default and recent settlement
 - Relaxed capital controls and permitted capital repatriation for foreigners
- Too small (\$100mm EV) for most institutional investors
 - Primarily Canadian retail investor base
- **Complex thesis**- penny-stock, listed in Canada, with operations in Argentina

PAST PERFORMANCE SHOULD NOT BE CONSTRUED AS AN INDICATOR OF FUTURE RESULTS. INVESTORS SHOULD UNDERSTAND THAT THE PERFORMANCE OF THE MAGLAN FUNDS COULD BE MATERIALLY DIFFERENT THAN THE RESULTS SHOWN HERE AND INVESTORS MAY LOSE SOME OR ALL OF THEIR INVESTMENT. RETURNS INCLUDE THE REINVESTMENT OF ALL DIVIDENDS, INTEREST, INCOME AND PROFITS.

David D. Tawil
President

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Valuation

Current share price	\$0.15	in USD \$0.11				
Share count	541,208,300					
Market Cap	\$76mm					
				2015A	2016E	2017E
Current Oil Price	\$76.50/barrel		Production	3,200 boe/d	2,800 bod/d	4,000 boe/d
Current Gas Price	\$5+/mmBtu		FCF before CapEx	\$22mm	\$18mm	\$32mm
Netbacks	\$26.23/barrel		Valuation before CapEx	3.45x	4.22X	2.38x
			Capex	\$41mm	\$15mm	\$40mm
	\$/Sh	Multiple	\$/Sh	Weight	Wt'd \$/Sh	
2017E Cash Flow Valuation	\$0.06	3x	\$0.18	70%	\$0.12	
Base Reserve NAV (2P)	\$0.32	1x	\$0.32	30%	\$0.10	
			\$0.50		\$0.22	
Unbooked Upside & Other						
Assets	Net Acres	@ \$5,000/acre	Unrisked \$/Share	Risk Factor	\$MM	Riskd \$/Share
Puesto Morales		\$150,000,000	\$0.28	50%	\$45,000,000	\$0.08
Northern Assets		\$30,000,000	\$0.06	50%	\$15,000,000	\$0.03
Coiron Amargo	59,977	\$299,885,000	\$0.55	30%	\$89,965,500	\$0.17
Curamhuele	50,595	\$252,975,000	\$0.47	15%	\$37,946,250	\$0.07
Cortadera	46,657	\$233,285,000	\$0.43	5%	\$11,664,250	\$0.02
Prime Shale Assets*	157,229		\$1.79			\$0.37
	948,412 total net acres					
Prime Shale Assets*	157,229 acres	\$/Sh				
At \$2,500 per acre	\$393,072,500	\$0.73				
At \$5,000 per acre	\$786,145,000	\$1.46				
At \$7,500 per acre	\$1,179,217,500	\$2.18				
At \$10,000 per acre	\$1,572,290,000	\$2.91				
At \$15,000 per acre	\$2,358,435,000	\$4.37				
*Comparable recent transactions in Argentina have ranged from between \$5,000 to \$20,000 per acre						

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