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Dear Alphastox Subscribers,

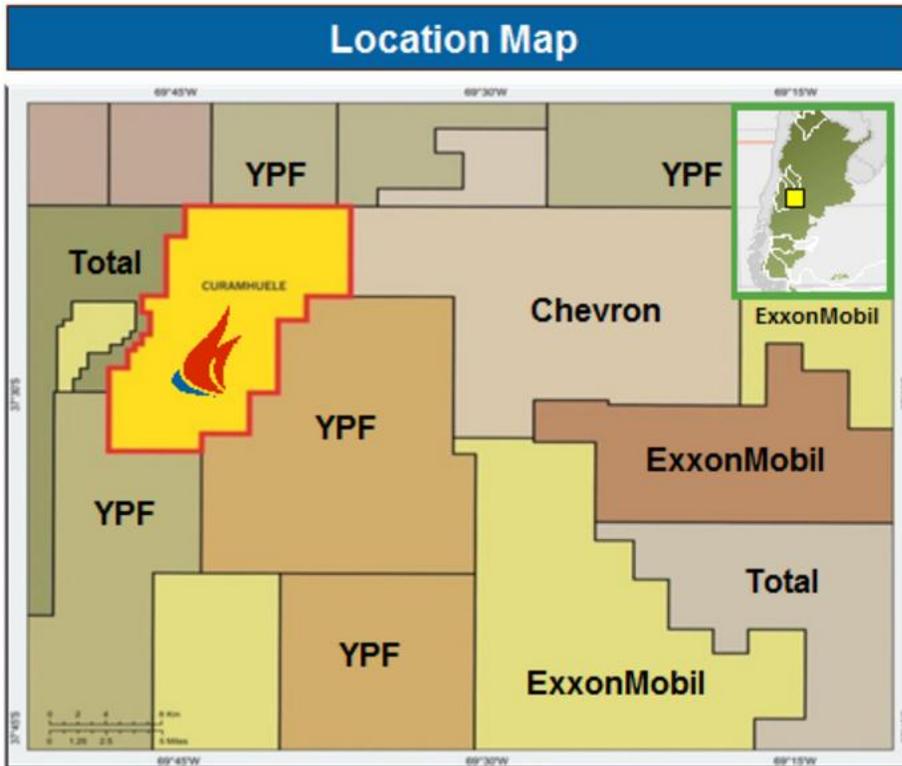
Investing in Argentina and more specifically, **Madalena Energy (TSXV:MVN; OTCQX:MDLNF)** is one of my top picks for 2016. Here are some of the reasons why:

- With Mauricio Macri taking over for the extreme leftist former President, Christina Kirchner, we see a real turnaround in undervalued Argentine energy plays like Madalena. With Macri coming in power on December 10<sup>th</sup> and the country taking a totally new political direction, there is no better time to be invested in Argentina. Pro-business Macri has always said that he would promote foreign investment, something Kirchner despised from day one. He promised to implement friendly business policies, open up borders to foreign capital and most importantly, negotiate with bond holdouts which would further open up the world capital markets for Argentina. As these policies get implemented, I could easily see a lot more capital being invested in the country from energy companies that saw the opportunity, but avoided it in the past because of Kirchner.
- Everyone knows that selling oil in Argentina yields a much greater price than what the market is currently offering today.....Argentina has set oil at USD \$67.50/Bbl for 2016 which is significantly higher than the rest of the world today. Strictly based on fundamentals, it is the best jurisdiction to drill in as an energy company today, the only issue was Kirchner. With Kirchner now gone, **land values associated with prime unconventional shale acreage is set to move significantly higher** and current producers like Madalena with significant working interest in producing blocks could see a substantial lift in the value of their assets. **Valuations in Argentina for well positioned companies like Madalena are set to double to triple as the business environment opens up with the new Macri led government and the world's most attractive international shale play evolves.**
- MVN continues to be focused on delineating their four strategic resource plays, including its most developed area, the **Vaca Muerta shale** oil play and the Company's exciting **Lower Agrio Shale** resources. MVN's contingent resource base now stands at 173 million boe of which 87% or 92 million boe is ascribed to Vaca Muerta resources on the Coirin Amargo block alone, which directly offsets 40,000 boepd of Vaca Muerta production on the YPF/Chevron Loma Campana block. Madalena also has over 1.5 Billion barrels of oil equivalent of prospective resources

driven by the Vaca Muerta and Lower Agrio shales at just 2 of the Company's 12 blocks or concessions in Argentina.

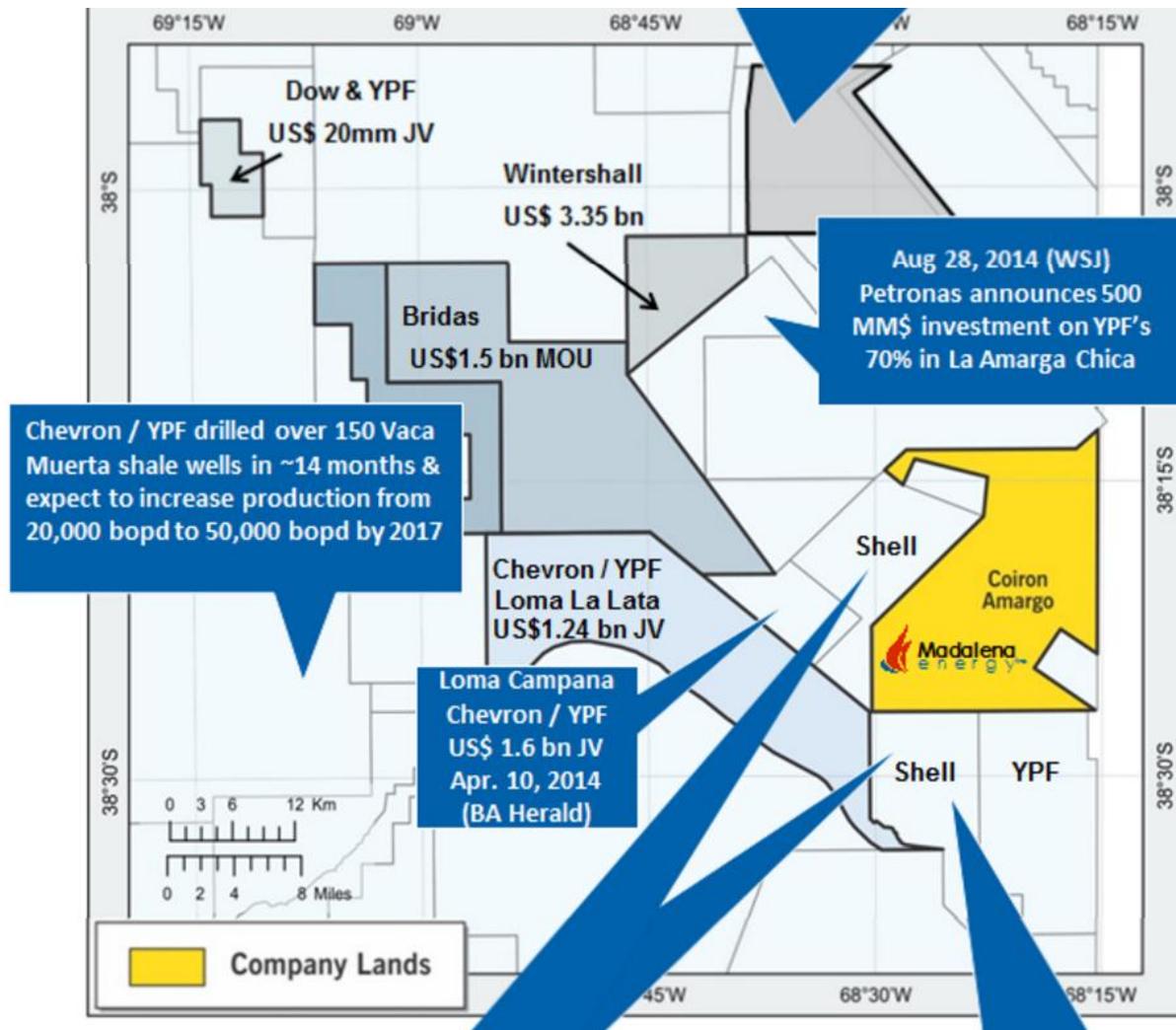
- Madalena's Curamhuele block bodes significant resources in the Vaca Muerta shale and Lower Agrio Shales. As a key strategic catalyst for the Company the fracturing and testing program on the Yapai.x-1001 well (a strategic unconventional well at Curamhuele with Madalena holding 90% working interest at Curamhuele) is upcoming in Q1 2015. The well drilled through 550m of the Lower Agrio, with the bottom 270m encountering continuous oil and gas shows throughout the drilling. Initial wireline logs estimates a zone of interest >164m, with average porosity of 8%....ahead of estimates in the resource report published in Q4/15 which outlines over 365 million barrels of oil equivalent in the Lower Agrio shale alone and over 500 horizontal drilling locations. The Curamhuele block is also home to over 1 Billion barrels of oil equivalent of potential recoverable resource in the Vaca Muerta shale. The company also drilled ~24m into the Mulichinco formation (a tight sand horizon) with mud logging yielding solid gas shows and acquired data indicating an over-pressured gas bearing sand.
- Madalena is a **prime takeout target** in 2016 onward..... With **so many major players surrounding their assets at blocks like Curamhuele, Coiron Amargo and Cortadera**, I can **easily see an increase in M&A activity and someone a lot larger coming in and making them a major offer.**
- With the likes of Shell, ExxonMobil, Wintershall, YPF, PlusPetrol, Total, Bidas and now new entrance players like American Energy Partners (ex-Chesapeake energy team) entering the unconventional shales in Argentina, **Madalena is an attractive takeout candidate by big players, especially when it is now at least a "2 for 1" deal in the marketplace given where the stock is trading in this energy market downturn....a buying opportunity**

I mean, look who surrounds their **Curamhuele** block of which MVN has a 90% working interest in:



All of these companies surrounding MVN have plenty of cash and are looking to expand their acreage and MVN could be their only option.

Another one of Madalena's blocks I am very excited to see be developed is Coiron Amargo which is in the sweet spot of the Vaca Muerta shale play. Take a look at the diagram below:



Now lets look at American Energy Partners's (ex-Chesapeake energy team) entrance into the unconventional shales in Argentina.....On January 14, 2016, YPF announced it has entered into two separate joint venture agreements with American Energy Partners, LP to **invest a total of US\$506 million** targeting the Vaca Muerta shale in the Neuquén basin in Argentina. AEP was founded in April 2013 by Aubrey McClendon who was a founder and ex-CEO of Chesapeake Energy. Chesapeake was one of the first companies to successfully apply horizontal, multistage fracturing technology to shale plays in the US. Below is a map which shows Madalena's Vaca Muerta shale acreage at **Coiron Amargo**, **Curamhuele** and **Cortadera** versus the locations of the Cerro Arena Sur and Bajada De Aelo blocks which American Energy Partners has entered for an investment with partners of USD 506 million.



the company is trading at today. TD, one of the most respected banks in the country has a \$0.75/share 12 month price target while Dundee and Haywood both have \$0.55 targets on the stock. All three analyst targets are well north of the \$0.25 level MVN is currently at now and represents substantial rewards for investors with an appetite for risk and time on their side. If these analysts are right, **investors can make 2-3X times their money in the next twelve months.**

, A lot of investors turned a blind eye to the country as a whole with Kirchner in power, but with Macri now at the helm, I have no doubt investors will come back to the table as things move forward and remember Argentina is getting the highest oil price in the world at \$67.50/bbl of oil.

There should be a lot more news to come from MVN over the next twelve months so make sure you stay tuned. With an upcoming big multi-frac and test at Curamhuele in the Lower Agrio shale and Mulichinco, the Company's first Vaca Muerta horizontal multi-frac well in 2016 and horizontal drilling in the Loma Montosa scaleable oil resource play....lots to come for Madalena in 2016. With significant interests in several major blocks, MVN is **well positioned on back of a big test at Curamhuele in the Lower Agrio shale**, and as the Vaca Muerta shale play evolves in country offset Coiron Amargo, Curamhuele and Cortadera, to **attract a much larger international oil & gas company as a strategic joint venture partner** going forward while still maintaining a sufficient working interest which would be great for shareholders.

With all the signs pointing in the right direction, I think it's very timely to put MVN as one of my top picks for 2016. This is one stock you need to own go-forward..

As always, if you have any questions, please do not hesitate to get in touch with me anytime. I look forward to hearing from you.

Best,

Etienne

*Disclosure: Transcend Capital Inc. has been paid a consulting fee for conducting an independent review of the company*