



MAGLAN CAPITAL LP P. 212.300.6700 E. INFO@MAGLAN.COM

Valued below
Liquidation Value;
Massive Upside

- Independent Argentina-exclusive oil & gas exploration and production company (E&P)
- Modest current production (2,200 boe/d; USD 115mm EV) with **10x upside, for production AND valuation**
- Focused on conventional and unconventional oil production
- Profitable (~USD 9mm annual FCF)

VERY Asset Rich

- In one of the world's largest shale formations (2nd for gas, 4th for oil), controls 920K+ net acres, including existing production and audited reserves (8.3MMboe net) and resources

Poised for Growth

- Continuing to increase efficiencies in existing production
- Robust access to capital (on-hand and through partners) for development and acquisition
- Clean balance-sheet (<USD 1.3mm debt)

Catalyst-Rich;
Fundamental and
Technical

- Conventional production acquisition and development
- Unconventional partnerships to de-risk massive resources
- Argentina stock listing (listing of existing shares, no dilution)

Maglan Capital controls~20% stock and has been involved with selection of current management team and Board

Leadership & Policy

- Pres. Mauricio Macri has made enormous progress with economic and social policy reforms since being elected in 2015
 - Sweep of legislative mid-term elections in October 2017, reaffirmed the support for the Administration and its agenda
- The government resolved 15-year dispute with hold-out creditors and **regained access to international debt markets**
- Argentina faces a **large energy deficit (~50%)** and is a net importer of oil and gas
- After many years of under-investment, the Argentine government has begun implementing **key reforms to encourage energy investment** (labor, tax)
- Anticipated **MSCI** upgrade in June 2018, from “Frontier” Market to “**Emerging**” Market

Oil & Gas Investment

- Vaca Muerta is world's **most developed shale play outside of N. America**
 - Since 2010, attracted USD 9B of investment, drilled ~700 wells. Investment in 2018 will be **USD 12B-15B**
 - Some multi-nationals have presence (ExxonMobil, Chevron, Shell, Total); many still do not (Russia, China, Nordic)
 - Since Oct mid-term elections, E&P commitment announcements have come quick and have been sizable (YPF, Chevron)

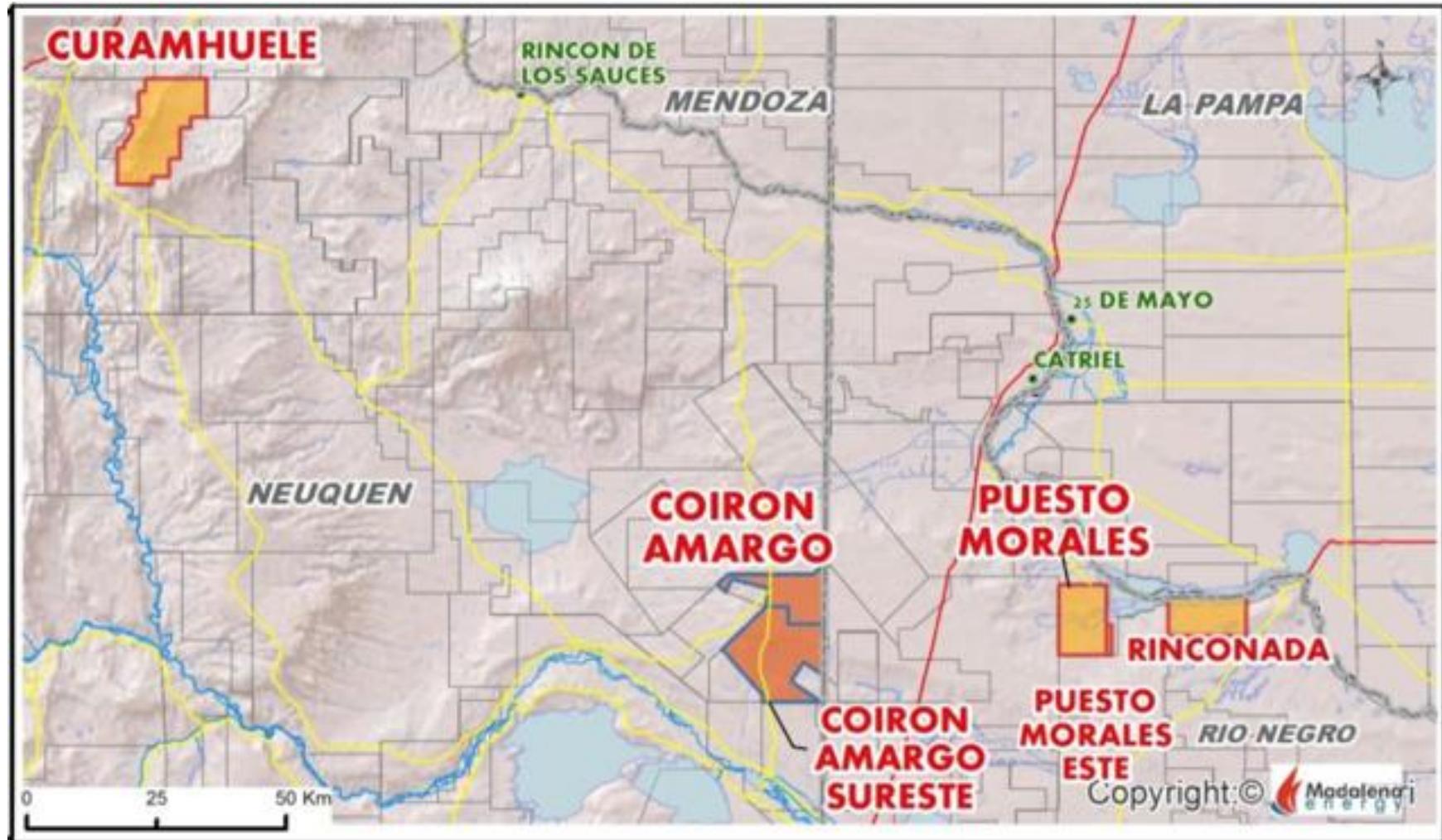
Madalena Energy- Areas and Conventional Blocks



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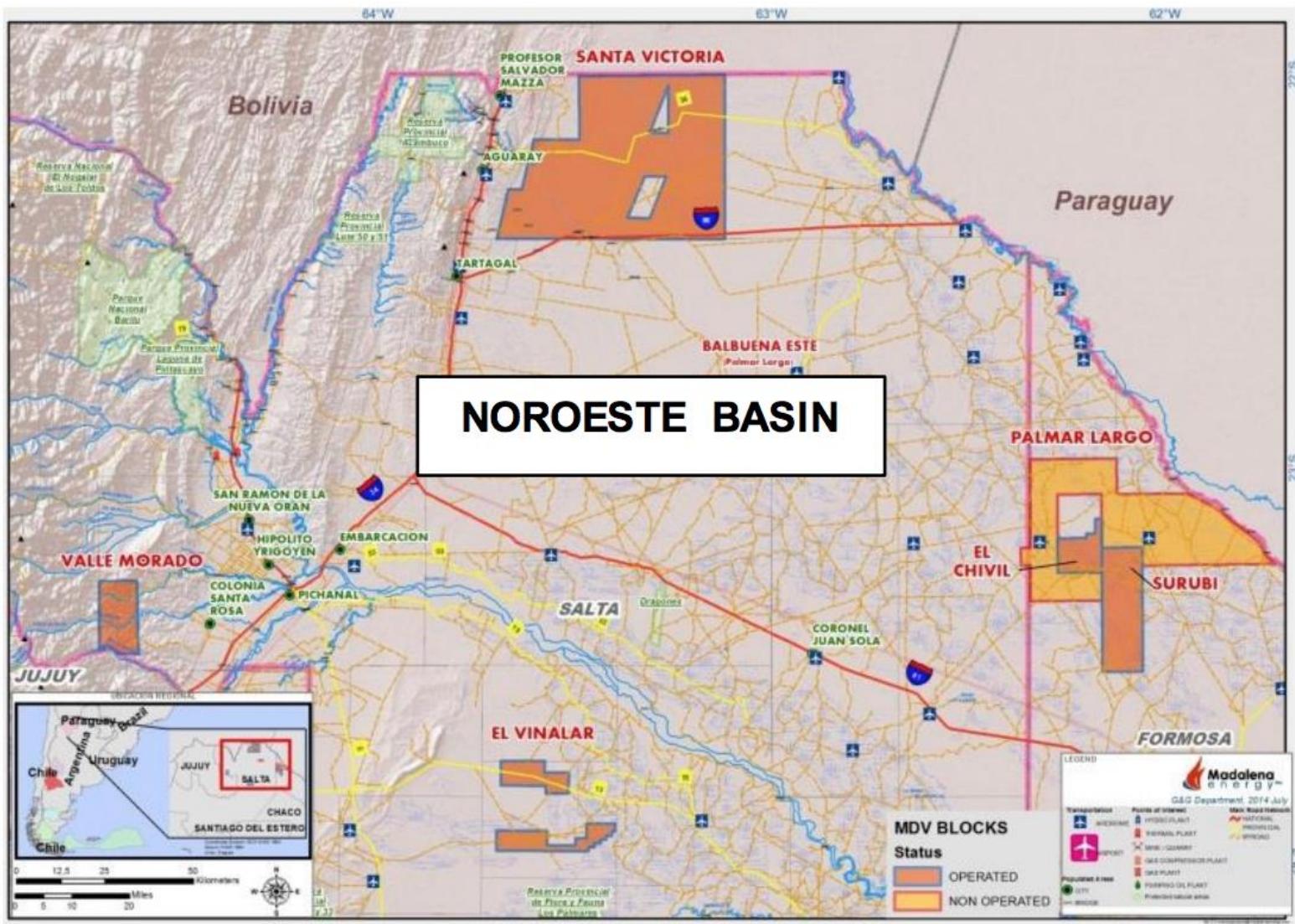
Block	WI	Operator	Acres gross	Acres net	Basin	Oil /gas	Production (boe/d)
Rinconada Sur	100%	Madalena	28,417	28,417	Neuquén	oil & gas	34
Puesto Morales Este	100%	Madalena	1,532	1,532	Neuquén	oil & gas	26
Puesto Morales	100%	Madalena	31,254	31,254	Neuquén	oil & gas	1,043
Coirón Amargo	35%	Apco	26,598	9,309	Neuquén	oil & gas	236
Coirón Amargo SE	35%	PAE	56,298	19,704	Neuquén	oil	161
Surubí	85%	Madalena	90,824	77,200	Noroeste	oil	580
Palmar Largo	14%	High Luck	301,740	42,244	Noroeste	oil	890
El Chivil	100%	Madalena	30,394	30,394	Noroeste	oil	86
El Vinalar	100%	Madalena	61,035	61,035	Noroeste	oil	44
Net production =							1,990



Madalena Energy- Areas and Blocks



Maglan CAPITAL



Liquidity and Balance-Sheet

- USD 1.844mm in **cash** (Q3 reporting) and USD 1.279mm in **long-term debt** (convertible debentures)
- **Free cash flow Positive**: USD 5mm per annum (USD 9mm by 1H18)
- Currently valued **below liquidation value**:
 - PP&E ~USD 75mm
 - 2P Reserves after-tax NPV-10 USD 80mm
- **Fully financed** for the next few years
 - an undrawn USD 6.5mm working capital line (7%) from management
 - an undrawn USD 16.5mm convertible CapEx line (7%; convertible into shares) from management
 - an undrawn USD 40mm loan (7%; limited recourse) from Pan-American Energy
- Near-term drilling commitments (3 yrs; ~USD 31mm) currently being **renegotiated**
 - “Going-Concern” audit language to be removed immediately (to be followed by analyst initiation and coverage)

Leadership

- Jose Peñafiel (34; Oxford) appointed CEO in May 2017
 - Third-generation oil & gas family business (Hispania Petroleum), with investment experience in Argentina, Russia, Texas, Ecuador
- Experienced and previously successful team: Ezequiel Ariet (CFO (from YPF and Hispania); Alejandro Peñafiel (Board member); Jose Endara (Dir of Exp & Prod); Juan Lucino (General Counsel); Gloria Peñafiel (Dir of IR)
- Succeeded in **reducing G&A by 48%** within 4 months of appointment
- **Committed USD 23mm**
- Principally compensated through warrants and options

Build production and cash-flow through multiple channels, exercising prudent risk management and efficient use of capital

Independent, Self-Financed Conventional Production

- Conventional drilling and workovers on existing blocks- Surubi, Puesto Morales
- Current avg. netback per-barrel (at USD 50/barrel) is USD 12; **targeting low-20s** by YE 2018
- Completion of renegotiation of drilling commitments across all blocks before year-end 2017, will allow the company to **utilize its USD 16.5mm convertible CapEx line**
- Targeting wells with 25%+ IRR and production of 5,000+ boe/d by 2019 (USD 20mm+ FCF)
- Focus on oil. Although NatGas margins are wider, NatGas production is subsidized by Gov; oil is profitable at market-prices

Partnered, Unconventional (Shale) E&P

- In 2016, entered joint-venture with Pan-American Energy to test and develop **Coiron Amargo Sur Este** (details on next slide). Financial risk **entirely** shouldered by Pan-American
- **In 2018**, Madalena expects to execute similar joint-venture agreements for
 - **Curamhuele** (oil and NatGas; 90% WI - 50,613 acres) and
 - **Valle Morado** (NatGas, politically significant; 97% WI – 47,425 acres)
- Madalena *will not risk* balance-sheet on costly unconventional shale wells

Acquisition of Existing Conventional Production

- **Arbitrage opportunity** – conventional assets out-of-favor with larger producers, for focus on unconventional , and are priced lower than drilling new wells, with much less risk . Madalena targeting assets with ~18 month payback period.
- Cash-on-hand, free-cash-flow and USD 16.5mm CapEx line provide **adequate capital** to be acquisitive. Further, after Company's stock is listed in Argentina (Q1 2018; see below), Company will look to access local bond market (<10% rate).
- In mid-Nov, Madalena (in collaboration with Werthein family) bid for **Sinopec's** Argentina assets (~USD 200-300mm). Evidences focus on (massive) growth; and most importantly, Madalena clearly has access to capital for acquisition and development

USD 635mm NPV 10% Net Contingent Resources

- Joint-Venture with Pan-American Energy (largest independent E&P in Argentina ; 50% owned by British Petroleum) entered in Dec 2016 (prior to Hispania Petroleum), negotiated by Maglan Capital directly
 - Resulted in the following Working Interest (WI) distribution: 55% Pan-American; 35% Madalena; 10% provincial ownership (originally 90% Madalena; 10% provincial)
 - As part of the JV, Madalena received
 - (i) USD 10mm up front (Co needed the cash at the time)
 - (ii) full carry on two test wells (total cost USD 15.6mm)
 - (iii) **USD 40mm financing** for CapEx for USD 100mm pilot program **at 7%**
- Results for the first test shale well in CASE were released in July. It was a short 1,000 lateral well with 37 fracs that yielded an IP 30 of 420 Boe/d, 0% water cut and just a 3mm choke, which has stabilized at 125 Boe/d. In addition to being short, the choke on the well is extremely narrow, limiting flow
- The second test well was spud in October (1,500 lateral; 60 fracs); deeper and 40% more fracs. The fracking is expected to happen in early 2018, with results to be published in Q1

- Following the completion of the second test well, the focus will shift in 2018 to a USD 100mm pilot program, for which the Company has committed financing from Pan American (USD 40mm at 7%, with limited recourse to CASE interests)
- Madalena's net-interest in CASE is 83mm boe
- Derisking this block will yield substantial value to the company
- On pages 23-24 of Madalena's current Investor Presentation, the case is made, *assuming \$51/barrel*, for a **USD 635mm NPV 10% Net Contingent Resources of value** to Madalena (***nearly USD 1/share of value***; versus current share price of USD 0.20)
 - Furthermore, the maximum liquidity draw at any given point, for development of the block is USD 87mm net

- **1Q18:** Results of 2nd shale well in CASE
- **1H18:** Deployment of USD 16.5mm CapEx line for conventional drilling/workovers
- **2H18:** Announcement and details of CASE USD 100mm Pilot-Program
- **2018:** Acquisition(s) of conventional production
- **2018:** Joint-Venture Agreements for development of unconventional blocks (Curamhuele, Valle Morado); no risk to balance-sheet, reasonable CapEx financing terms (~7%)
- **Imminent:** Renegotiated drilling commitments and elimination of “going-concern” audit language
- **March '18:** Stock listing on the Merval (Argentine stock exchange). Currently, the company's stock trades in Canada (**MVN**) and the US (**MDLNF**)
 - No capital-gains tax in Argentina
- **June '18:** Argentina MSCI Upgrade from “Frontier” to “Emerging” Market

- Political
- Open-market price of oil
- Reduction of cost-structure (infrastructure build out, labor)

Macro

- Drilling risk
- Access to capital

Company-Specific

Strategy and Approach

- Maglan Capital manages a **concentrated** portfolio with a **long-biased** focus on identifying **liquid instruments across the capital structure** of **small- and mid-cap** corporations either approaching or experiencing **financial distress, bankruptcy, restructuring** or **operational turnaround**
- Geographically, Maglan's investments cover North America and Argentina
- Relying on **fundamental, bottom-up analysis**, the Fund concentrates on investing in situations with **medium-term catalysts** (24-48 months), with 6-12 core positions

Investment Objective

- The Fund's **primary objective** is to achieve **outsized absolute-returns** throughout the economic cycle (5-7 years)

Depth of Experience

- Experience includes senior-level positions in **investment banking, legal, sell-side research and analysis, portfolio management, enterprise building** and **in-depth operational evaluation** of corporations in distress, bankruptcy and restructuring situations
- Azarbad and Tawil bring a **combined 25+ years** of investing, restructuring and business management skills to Maglan Capital and have a substantial portion of their liquid net-worth invested in the Fund

Structure

- Maglan manages investments in a fund structure and on a managed-account basis

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