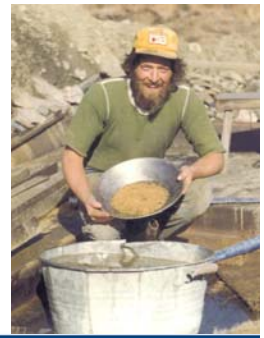


DAVID PESCOD'S STOCKTALK

Late Edition

e-mail: debbie.lewis@canaccord.com   e-mail: david.pescod@canaccord.com

May 23, 2013

MADALENA VENTURES	**(V-MVN)**	**$0.40 -0.015**
TAG OIL	**(T-TAO)**	**$5.13 +0.06**

We caught up with *Kevin Shaw*, who seems to be getting a lot of frequent flyer points over the last several years as a senior partner and an oil and gas analyst with Wellington West, and who has recently returned to the oil patch to get even more air miles as the president of *Madalena Ventures* with assets located in the Neuquen Basin, Argentina as well as Western Canada.

Before we get to the company he now runs (Ray Smith's other company) time to quiz him on the mess and malaise in the junior oil and gas patch he had covered as an analyst with hopes that weren't always rewarded.

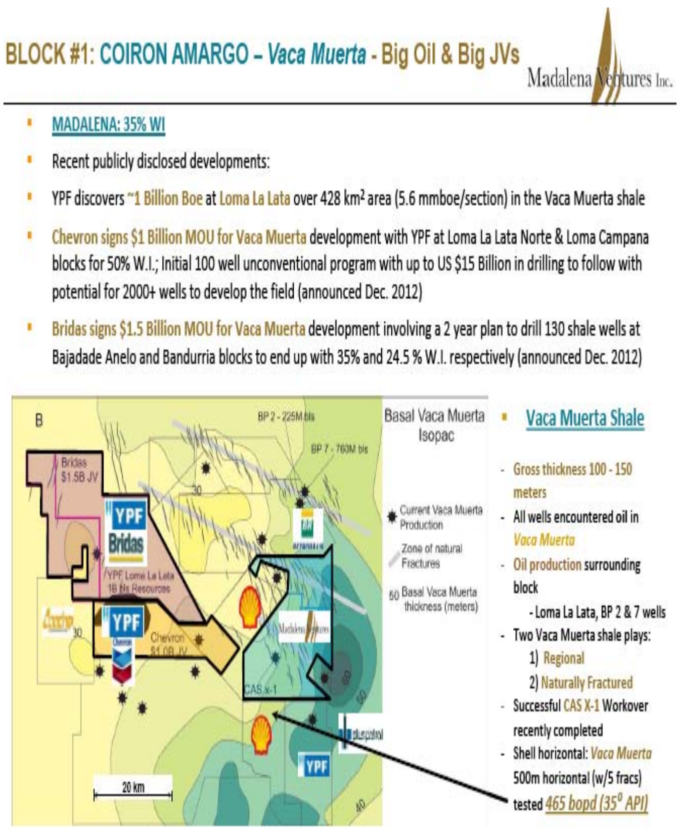
Shaw points to the last few years as a time that has had sliding gas prices and where many junior companies turned to leveraging too much debt to survive and suggests that debt combined with a challenging global macro environment, has left many companies within the sector with very little leverage or alternatives to maneuver. Companies today need to be looking at all options to create value for shareholders, including a proper balance between capital spending plans, debt leveraging and strategic joint ventures where it makes sense.

As far as the huge supply of oil and gas analysts currently on the market these days courtesy of those debt levels and depressed micro-cap space, Shaw suggests that stock prices are getting to the point where we should start seeing more M&A activity as many small-caps are trading well below their asset value. The stories that attract attention these days with investors are larger companies with growth, dividend payers, or companies with big upside with "home run" potential, he wouldn't be surprised to see more mergers develop in the junior sector.

So onto Madalena. In the last few weeks in the broken up junior oil sector, Madalena has attracted attention as a new resource report by *Ryder Scott* suggested that the company might have up to 2.9 billion barrels recoverable on their massive unconventional shale assets in the Neuquen Basin. (So imagine if someone were to value that at say a dime on the barrel or at $0.50 a barrel, this could be many multiples of Madalena's current market cap size).

So what now on Argentina? Run by Cristina Kirchner who has scared markets by her abuse of her countries YPF.

David Pescod T: 780.408.1750 Debbie Lewis T: 780.408.1748 Toll Free: 1.877.409.1750



Shaw suggests that the country is now paying $70 to $75 a barrel for oil (up from $42/bbl) and netbacks are typically in the $30 to $40/bbl range depending on the area—better than it had been previously, and the country has plenty of oil rich resources.

There are also now paying $7.50 an mcf for the newly discovered natural gas being produced and also the shale gas (which is a recent 3X increase in the gas prices to incentivize new development).

A price North American producers could only dream of. It's also a commodity that Argentina needs and has to import.

Meanwhile, Shaw adds that ever more equipment, particularly the drilling supplies and equipment needed for shale exploration & development has now become more readily available in Argentina.

So give us the goods on Madalena, we say. Shaw is blunt, "Go to our new corporate presentation and focus on Slide 20". Well, when somebody puts it that way—one has to oblige. The slide focuses on their Coiron Amargo oil play in the massive Vaca Muerta shale and the players in the neighborhood. Such as neighbor YPF that has discovered one billion boe and Chevron that has just recently increased their bid from a one billion dollar MOU with YPF to a $1.5 Billion dollar deal on an initial 100+-well unconventional program with a suggested $15 billion in drilling to follow?!

And Bridas signing a $1.5 billion MOU for Vaca Muerta development...and on and on. The size of the area of the play Madalena has is truly impressive with three key blocks positioned in the shales and there sure seems to be a lot of big internationals (Shell, Chevron, etc.) in the area.

Which again gets us back to the topic of Argentina, one of the three big areas of the world with shale along with the U.S.A. and China. Shaw tells us that with all the meetings he has had over the last few months in Argentina the industry as a whole is feeling more comfortable in the area all the time and the oil patch is definitely driving forward. Which would be good after the re-nationalization of YPF that scared most folks away.

Shaw points to Dow Chemical, Wintershall, the Chevrons and Shells, coming in here suggesting they are simply now more comfortable.

We ask former analyst Shaw to turn on his crystal ball and he suggests as far as oil and gas prices, he believes that good oil companies can make a lot of money between $85 and $100 where he suggests the price of oil will be for the next year.

As far as natural gas in Canada, he can see $4.50 to $5.00 for much of next year. He points to the big LNG plant just announced in the USA and how much gas it could export and suggests once we see deals in BC for LNG projects, that would be so helpful for the natural gas industry.

As far as a stock to watch he is still intrigued by the shale play of TAG Oil in New Zealand. For Madalena, they are a junior oil with some decent success and production in Canada approaching 2,000 barrels a day by the end of Q2, no debt, roughly $30 million in cash at the end of Dec. 31st, 2012 and six-ish wells coming up as their rigs should be in Argentina in four-ish weeks.

Shaw will be in the centre of some excitement we suspect as he is planning to assess joint venture options for their large chunks of land and is going to require some maneuvering to "unlock shareholder value" which will require some dexterity and a lot of wheeling and dealing thru 2013.

We note a few analysts out with rather lofty targets on MVN and hope they might be right...but lately, junior oil and gas analysts don't have the best batting record, do they.

We have a couple of reports you might be intrigued in—just e-mail Deb at debbie.lewis@canaccord.com.

DEB'S DITTY:

I realize there are better things in this world than beer...

But beer makes up for the fact that I don't have any of those things.