Madalena Energy Inc. (MVN-V, $0.34)

Rating	**Buy**
Target Price	**$0.60**
Return	**76%**

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Analyst Certification, Important Information and Legal Disclaimers: See page 8

Positive Initial Test Rates on Two High Impact Hz Wells in Argentina

Overall Risk Rating	**High**
Forecast Risk	**(High) 8**
Financial Risk	**(Moderate) 6**
Valuation Risk	**(High) 7**
Political Risk	**(High) 9**

Risk Profile Definitions: See page 10

52-Week High/Low	$0.77/$0.20
YTD Performance	13.6%
Dividend Yield	0%
Shares O/S	540M (basic)/ 565M (F/D)
Market Capitalization	$184M
Net Debt (YE14e)	-8.4M
Enterprise Value	$175M
Daily Volume (30 day)	1,090,000
Currency	C$ unless noted

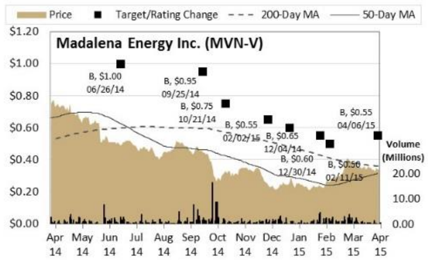
Company Profile

Website – www.madalenaenergy.com
CEO – Kevin Shaw
Madalena Energy is a Calgary based oil & gas company with operations focused in Argentina and West Central Alberta.

Estimates

	2014A	2015E	2016E
Production (boe/d)	3,002	4,500	4,800
% Gas	29%	24%	23%
CAPEX ($mm)	$40.8	$40.0	$40.0
Cash Flow ($mm)	$23.7	$18.0	$31.7
CFPS (fd)	$0.04	$0.03	$0.06
P/CF	12.4x	10.7x	6.1x
EV/DACF	6.9x	10.3x	5.9x
EV/BOE/D	$54,606	$41,233	$38,653

Price Performance



Source: Capital IQ and Haywood Securities

Event | MVN provided an ops update focused on two recently completed high impact oil wells in Argentina.

Valuation | MVN trades at 10.3x our 2015 EV/DACF and $41,200 boe/d vs. consensus estimates for a basket of oil-focused domestic and Intl peers at 3.8x and $33,200 boe/d.

Impact Positive |

- **1st Hz Loma Montosa well (100% WI) tests an impressive 860 boe/d (55% oil).** The PMS-1135 Hz well on the Puesto Morales block (100% WI) test over the last 24 hours 860 boe/d (480 bbls/d oil, 2.3 mmcf/d) and a 47% water cut. The well was completed with Argentina's first 12 stage ball drop open hole frac operation (hybrid slickwater/gel fluid base) and pumped 30 tonnes per stage. MVN will proceed to tie-in this well into existing infrastructure, where we expect on on-stream production rates to be closer to the 400 boe/d range.
- **We believe this to be a very encouraging initial result.** While it is early days in terms of the Loma Mantosa potential at the Puesto Morales block after just 5 days on production, the 860 boe/d proof of concept test rate should grab some attention. We believe costs to be in the $5-$6 MM range per well which we expect would come down under a development scenario, and considering that the play appears scalable (100+ follow up locations) and it is shallow at ~1,500m depth (plus ~1,100m lateral). Recall that the Puesto Morales block was acquired as part of MVN's acquisition of GTE's Argentina assets last year.
- **4th Sierras Blancas light oil well at Coiron Amargo (35% WI) looks solid**. The CAN-16h well was tied into production facilities on March 27th at a gross rate of 600 boe/d (80% oil) and 210 boe/d net. After 20 days on production the well continues to produce at a rate of 590 boe/d (206 boe/d net) with a 15% water cut. While the test is less than MVN's 3rd Sierras Blancas Hz, CAN-18h that was initially placed on production in Q4/14 at 910 boe/d (83% oil), we believe this is a solid well. MVN plans to drill 2-3 more Sierras Blancas Hz wells in 2015.
- **Forecasts** – We have maintained our forecasts at this time.
- **Maintain our Buy Rating; Increased Target to $0.60 (from $.55).** While the Puesto Morales block is not "shale" and is outside of the core Vaca Muerta hotspot being chased by industry, based on the early success shown it could hold the potential to develop into a scalable oil play that could provide cash flow for reinvestment into further delineating MVN's shale resources. We continue to view MVN as the best way to play Argentina as the company is the only junior with acreage in the sweet spot of the oil window of one of the world's hottest unconventional shale plays and the only shale play outside of North America that is moving to development. With solid financial positioning and premium pricing in Argentina we see MVN as having the ability to advance delineation activity of several resource plays in Argentina in 2015.

Risks | As with all small cap stocks, we rate Madalena's risk as Very-high.

Catalysts | 1) Vaca Muerta delineation well tests at Coiron Amargo (Q1/15), 2) Potential sale/JV.

HAYWOOD CAPITAL MARKETS

Madalena Energy Inc.

www.madalenaenergy.com

STOCK DATA	
52-week High-Low (C$)	$0.77 - $0.20
Shares Outstanding (MM)	539.8
Net Debt Q1/15e (MM)	-8.4
Market Cap. (MM)	184
Enterprise Value (MM)	175

PRODUCTION	2013a	2014e	2015e	2016e
Oil & NGL's (bbls/d)	529	2,142	3,414	3,694
Nat. Gas (mmcf/d)	3.3	5.2	6.5	6.6
Boe/d (6:1)	1,087	3,002	4,500	4,800
% Nat. Gas	*51%*	*29%*	*24%*	*23%*

Pricing	2013a	2014e	2015e	2016e
Crude Oil WTI (US$/bbl)	$97.80	$93.31	$52.00	$65.00
Edmonton Light (C$/bbl)	$99.28	$93.96	$57.00	$71.50
Nat. Gas NYMEX (US$/mcf)	$3.72	$4.26	$2.72	$3.25
AECO (C$/mcf)	$3.16	$4.49	$2.60	$3.27
Realized Oil & NGL's ($/bbl)	$72.88	$78.78	$51.58	$64.14
Realized Nat. Gas ($/mcf)	$3.12	$4.42	$2.79	$2.66
Realized Wellhead ($/boe)	$39.30	$60.41	$49.46	$55.66

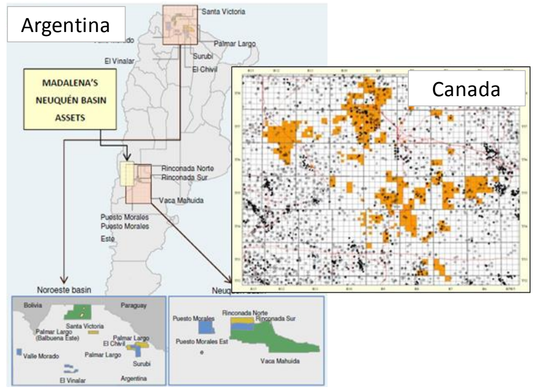
Netbacks ($/boe)	2013a	2014e	2015e	2016e
Revenue	$39.30	$60.41	$49.46	$55.66
Hedging	$0.00	$0.00	$0.00	$0.00
Royalties	$5.99	$9.08	$6.74	$7.59
Operating & Trans. Costs	$24.05	$25.83	$28.00	$28.00
Field Netback	$9.27	$25.50	$14.71	$20.07
Cash Netback	nm	$23.41	$10.95	$17.91

Financials	2013a	2014e	2015e	2016e
Cash Flow (MM)(2)	$2	$24	$18	$32
CFPS - diluted	$0.01	$0.04	$0.03	$0.06
E&D Capex (MM)	$43	$41	$40	$40
Capex (MM)	$43	$41	$40	$40
Net Debt (MM)	-$8.0	-$14.8	$7.2	$15.5

Valuation	2014a	2015e	2016e
P/CF	12.4x	10.7x	6.1x
EV/DACF	6.9x	10.3x	5.9x
Net Debt / CF	1.7x	0.4x	0.5x
EV/BOE/D	$54,606	$41,233	$38,653
P/NAVPS		1.1x	
EV/boe P+P		$15.24	

Rating	Buy	Target Price	$0.60
Current Price	$0.34	Return to Target	76%

AREAS OF OPERATION



Reserves (mboe)	2012A	2013A	2014A	% Liquids
Engineer: McDaniel, GLJ				
Proved	2,367	2,689	6,491	78%
Probable	1,462	1,959	5,002	
Total 2P	3,830	4,647	11,494	72%
PUD/Proved	27%	29%	18%	
Proved/2P	62%	58%	56%	

NPV - 10% AT (C$MM)	$199
NAV per share - f.d (C$/sh)	$0.32

Management	Directors
Kevin Shaw	Steven Sharpe (Chairman)
Thomas Love	Douglas Brooks
Steve Dabner	Gus Halas
Brent Foster	Barry Larson
Robert Stanton	Keith Macdonald
John Wittnebel	Ray Smith
Ruy Riavitz	Ving Woo

SHARE OWNERSHIP(1)	Basic	FD
Management	7%	10%

(1) as per Sedi

Source: Company Reports, Haywood Securities

Investment Thesis

- Madalena Energy Inc. is an emerging E&P company focused on delineating world-class shale and unconventional resources in Argentina. The Company recently announced that its three light-oil and liquids-rich development plays in Canada (Ostracod, Wilrich/Notikewin, and Nordegg) are non-core.
- Investors still remain on the sidelines for Argentina but Argentina has recently made positive changes to the shale oil fiscal regime and the supermajors like ExxonMobil announced positive Vaca Muerta results.

Risks

The investment to which this report relates carries various risks, which are reflected in our Overall Risk Rating. We consider following to be the most significant of these investment risks:

- **Geopolitical/Regulatory risk.** Argentina has a long history of government intervention in the private sector, particularly with respect to the energy industry. While a series of recent developments by the government are a step in the right direction the country should still be regarded as unpredictable. <u>The peso devaluation also adds a level of uncertainty to the macro environment in Argentina but it is important to point out that this is expected to have a minimal impact on MVN's operations and unlike past Energy market "risk-off" events in Argentina, this is not a direct intervention by the government into the sector which turned away investors in the past</u>.
- **Operational/Execution risk.** Oil and natural gas exploration involves a high degree of risk, which is managed through a combination of experience, knowledge, and careful evaluation. Drilling and completion operations are contingent on rig and equipment availability, which creates potential for delays. There is no assurance that expenditures made on exploration will result in new discoveries in commercial quantities. As well, existing production and processing activities can be impacted by unforeseeable events that can negatively impact production and cash flow levels. <u>In Canada, while vertical well control has been demonstrated across the plays, the application of Hz multi-stage frac technology is early stage</u>.
- **Financial risk.** All oil and gas companies have material exposure to financial risks, including interest rate fluctuations, changes in exchange rates and access to equity and debt markets. As well, financial risk includes credit risk pertaining to counterparties with which the company conducts its financial transactions (primarily marketing and hedging activities), and relating to JVs (i.e., working interest partners). Companies rely on a combination of cash flow and external capital to fund growth. Insufficient cash flow leads to further reliance on external sources, including debt financing and equity markets.
- **Commodity risk.** Oil and gas prices are determined by global supply and demand, in addition to other factors. Fluctuations in these prices could have a material, adverse impact on the operations, financial condition, proven and/or probable reserves and future development of undeveloped land. Declines in prices have a direct impact on revenue, cash flow, and earnings.
- **Resource/Reserve Estimate risk.** The process of estimating oil and gas reserves is complex, requiring significant assumptions for each reservoir, including production/decline rates, capital expenditures, and future commodity prices. As a result, such estimates are inherently imprecise. In addition, such reserves may be subject to downward or upward revisions based upon production history, results of ongoing exploration/development, prevailing oil and gas prices, as well as other factors.

- **Key Employee risk.** A significant portion of share value can be strongly attributed to a management team's experience and reputation. As such, the loss of a team member can have a considerable adverse impact on the Company's valuation. This risk is mitigated in part through management's direct ownership of the Company's shares.

Our Risk Profile Parameters ratings and Overall Risk Rating are set out on the cover page and are explained in our Rating Structure section under "Overall Risk Rating" and "Risk Profile Parameters". These ratings are an integral part of our Report.

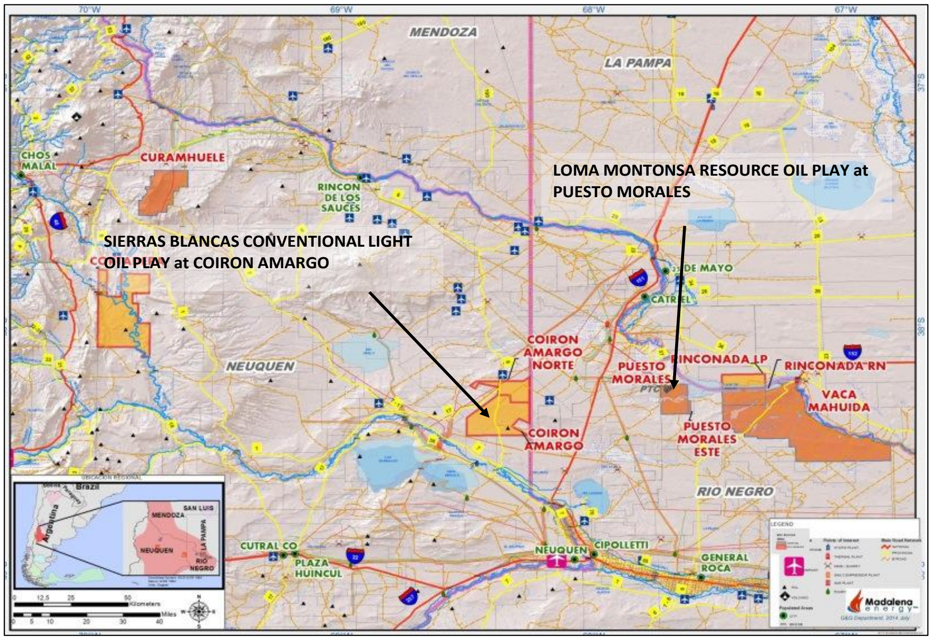
Operations Update

Puesto Morales Block

- **1st Hz Loma Montosa well (MVN 100% WI) tests an impressive 860 boe/d (55% oil).** The PMS-1135 Hz well on MVN's Puesto Morales block (100% WI) was drilled and began testing operations on March 30th. Cumulative production over the last 5 days was 428 bopd plus gas volumes while over the last 24 hrs the well flowed 860 boe/d (480 b/d oil, 2.3 mmcf/d) and a 47% water cut. The well was completed with Argentina's first 12 stage ball drop open hole frac operation (hybrid slickwater/gel fluid base) and pumped 30 tonnes per stage. MVN will proceed to tie-in this well into existing infrastructure, where we expect on on-stream production rates to be closer to the 400 boe/d range.

- **We believe this to be a very encouraging initial result.** While it is early days in terms of the Loma Mantosa potential at the Puesto Morales block after just 5 days on production, the 860 boe/d proof of concept test rate should grab some attention. We believe costs to be in the $5-$6MM range per well which we expect would come down under a development scenario just like any other resource play, and considering that the play appears scalable (mgmt. believing there could 100+ follow up locations) and it is shallow at ~1,500m depth (plus ~1,100m lateral). Recall that the Puesto Morales block was acquired as part of MVN's acquisition of GTE's Argentina assets last year.

Figure 1: Puesto Morales and Coiron Amargo Blocks

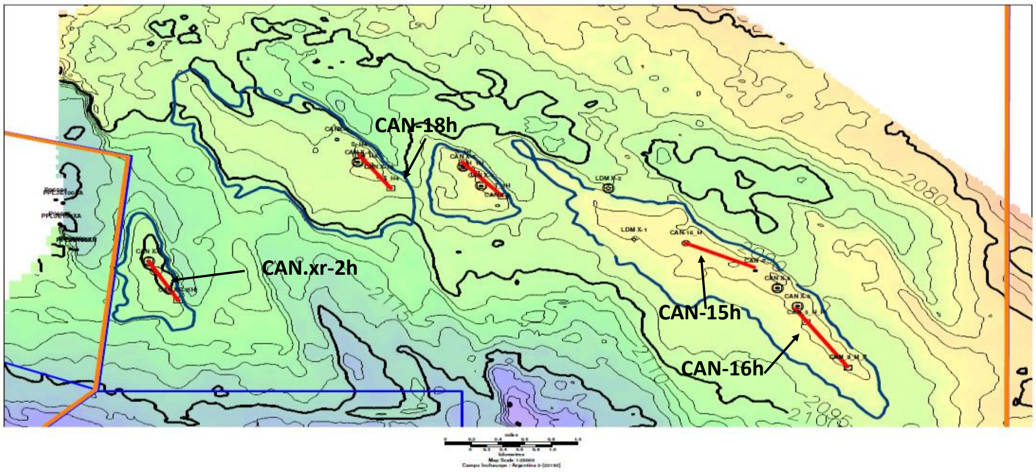


Source: Company Reports, Haywood Securities

Coiron Amargo Block

- **4th Sierras Blancas light oil well at Coiron Amargo (MVN 35% WI) tests below previous wells, but still looks solid**. The CAN-16h well was tied into production facilities on March 27th at a total gross rate of 600 boe/d (80% oil) and 210 boe/d net. The well has been on test or production for 20 days and continues to produce at a rate of 590 boe/d (206 boe/d WI) with a 15% water cut. While the test is less than MVN's 3rd Sierras Blancas Hz, CAN-18h that was initially placed on prod in Q4/14 at 910 boe/d (83% oil), we believe this is a solid well.

Figure 2: Coiron Amargo Norte: Sierras Blancas Horizontals



Source: Company Reports, Haywood Securities

Changes to Estimates

Before including production volumes from MVN's two latest Hz wells in Argentina, we would prefer to observe how the wells perform over a longer production period. Furthermore, the timing of the return of Canadian production (~700 boe/d) that was shut-in in response to low commodity prices is still unclear, as the decision to bring back production is more or less in the hands of Keyera Corp, the gas plant operator. As a result, we have chosen to maintain our production estimates for 2015 at 4,500 boe/d. We have not made any changes to other estimates at this time.

Figure 3: Changes to Estimates

Haywood Estimates									
	2014e			2015e			2016e		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Production									
Oil & NGLs (bbls/d)	2,142	2,142	0%	3,414	3,414	0%	3,694	3,694	0%
Natural Gas (mmcf/d)	5.2	5.2	0%	6.5	6.5	0%	6.6	6.6	0%
Total (boe/d)	3,002	3,002	0%	4,500	4,500	0%	4,800	4,800	0%
Financial									
Cash Flow (MM)	$23.7	$23.7	0%	$18.0	$18.0	0%	$31.7	$31.7	0%
CFPS diluted	$0.04	$0.04	0%	$0.03	$0.03	0%	$0.06	$0.06	0%
CapEx (MM)	$40.8	$40.8	0%	$40.0	$40.0	0%	$40.0	$40.0	0%
Net Debt (MM)	($14.8)	($14.8)	0%	$7.2	$7.2	0%	$15.5	$15.5	0%
Net Debt/CF	nm	nm	0%	0.4x	0.4x	0%	0.5x	0.5x	0%
Haywood Commodity Forecast									
	2014a			2015e			2015e		
WTI (US$/bbl)	$93.31	$93.31	0%	$52.00	$57.10	10%	$65.00	$65.00	0%
Brent (US$/bbl)	$99.38	$99.38	0%	$57.10	$57.10	0%	$0.00	$70.00	0%
AECO ($C/mcf)	$4.49	$4.49	0%	$2.60	$2.60	0%	$3.27	$3.27	0%
Exchange Rate (US$/C$)	$0.91	$0.91	0%	$0.80	$0.80	0%	$0.81	$0.81	0%

Source: Company Reports, Haywood Securities

Company Comparables & Valuation

- MVN trades at 10.3x our 2015 EV/DACF and $41,200 boe/d vs. consensus estimates for a basket of oil-focused domestic and Intl peers at 3.8x and $33,200 boe/d.

Figure 4: Consensus Comparables

Company	Share Price	Market Cap	Entity Value	Net Debt / CF	Price / CFPS	EV / DACF	2015E Prod.	% Gas Prod.	% Gas Hedged	Entity Value BOE/D 2015E	Entity Value P+P BOE [(1)(2)(3)]
	$CAD	($mm)	($mm)	2015E	2015E	2015E	(BOE/D)	2015E	2014E	($/BOE/D)	($/BOE)
Madalena Energy Inc.	$0.34	$184	$175	0.4x	0.5x	10.3x	4,800	23%	0%	$41,233	$15.24
Pinecrest Energy Inc. *	$0.01	$1	$117	4.0x	0.0x	3.5x	1,980	3%	33%	$59,052	$10.12
Sterling Resources Ltd. *	$0.17	$65	$301	2.4x	0.7x	2.8x	5,550	98%	33%	$54,209	$9.31
TAG Oil Ltd. *	$1.40	$81	$36	n.a.	2.3x	1.0x	1,800	12%	33%	$20,150	$4.48
Crown Point Energy Inc. *	$0.17	$26	$5	n.a.	1.6x	0.3x	2,340	98%	40%	$2,115	$1.00
Americas Petrogas, Inc. *	$0.15	$37	$22	2.8x	6.9x	4.7x	985	8%	40%	$22,408	$2.16
Average		**$66**	**$109**	**2.4x**	**2.0x**	**3.8x**	**2,909**	**40%**	**30%**	**$33,195**	**$7.05**
Median		**$51**	**$77**	**2.6x**	**1.1x**	**3.2x**	**2,160**	**18%**	**33%**	**$31,821**	**$6.89**

(1) Entity Value (EV) defined as market capitalization plus net debt, adjusted for any acquisitions/dispositions or financings.
(2) Production and cash flow estimates based on Haywood and street research.
(3) Net Debt used in calculation of Net Debt / Cash Flow does not include an adjustment for dilutive proceeds.
* Based on Capital IQ estimates

Source: Capital IQ, Haywood Securities

Cash Flow Sensitivity

In the Figure 5 below, we provide 2015 and 2016 sensitivities.

Figure 5: Sensitivities

Madalena Energy - 2015e Cash Flow ($ M)

Production (bbls/day)	Brent ($US/bbl) $45	$50	$55	$60	$65	$70	$75
4,350	$3.9	$8.0	$12.1	$16.1	$20.2	$24.3	$28.4
4,400	$4.2	$8.4	$12.6	$16.8	$20.9	$25.1	$29.3
4,450	$4.6	$8.9	$13.1	$17.4	$21.6	$25.9	$30.2
4,500	$5.0	$9.3	$13.7	$18.0	$22.3	$26.7	$31.0
4,550	$5.3	$9.8	$14.2	$18.6	$23.0	$27.4	$31.9
4,600	$5.7	$10.2	$14.7	$19.2	$23.7	$28.2	$32.7
4,650	$6.1	$10.7	$15.3	$19.8	$24.4	$29.0	$33.6

Madalena Energy - 2015e Net Debt to Cash Flow (X)

Production (bbls/day)	Brent ($US/bbl) $45	$50	$55	$60	$65	$70	$75
4,350	5.4x	2.1x	1.0x	0.5x	0.2x	0.0x	nm
4,400	4.8x	1.9x	0.9x	0.5x	0.2x	nm	nm
4,450	4.3x	1.8x	0.9x	0.4x	0.1x	nm	nm
4,500	3.9x	1.6x	0.8x	0.4x	0.1x	nm	nm
4,550	3.6x	1.5x	0.7x	0.3x	0.1x	nm	nm
4,600	3.3x	1.4x	0.7x	0.3x	0.0x	nm	nm
4,650	3.0x	1.3x	0.6x	0.2x	0.0x	nm	nm

Madalena Energy - 2016e Cash Flow ($ M)

Production (bbls/day)	Brent ($US/bbl) $55	$60	$65	$70	$75	$80	$85
4,650	$27.2	$28.0	$28.8	$29.6	$30.4	$31.2	$32.0
4,700	$27.9	$28.7	$29.5	$30.3	$31.1	$31.9	$32.7
4,750	$28.6	$29.4	$30.2	$31.0	$31.8	$32.6	$33.4
4,800	$29.3	$30.1	$30.9	$31.7	$32.5	$33.4	$34.2
4,850	$30.1	$30.9	$31.7	$32.5	$33.3	$34.1	$34.9
4,900	$30.8	$31.6	$32.4	$33.2	$34.0	$34.8	$35.6
4,950	$31.5	$32.3	$33.1	$33.9	$34.7	$35.5	$36.3

Madalena Energy - 2016e Net Debt to Cash Flow (X)

Production (bbls/day)	Brent ($US/bbl) $55	$60	$65	$70	$75	$80	$85
4,650	0.7x	0.7x	0.6x	0.6x	0.5x	0.5x	0.5x
4,700	0.7x	0.6x	0.6x	0.5x	0.5x	0.5x	0.4x
4,750	0.6x	0.6x	0.5x	0.5x	0.5x	0.4x	0.4x
4,800	0.6x	0.5x	0.5x	0.5x	0.4x	0.4x	0.4x
4,850	0.5x	0.5x	0.5x	0.4x	0.4x	0.4x	0.3x
4,900	0.5x	0.5x	0.4x	0.4x	0.4x	0.3x	0.3x
4,950	0.5x	0.4x	0.4x	0.4x	0.3x	0.3x	0.3x

Source: Haywood Securities Inc.

We Maintain our Buy Rating; Increasing Target Price to $0.60/sh (+$0.05)

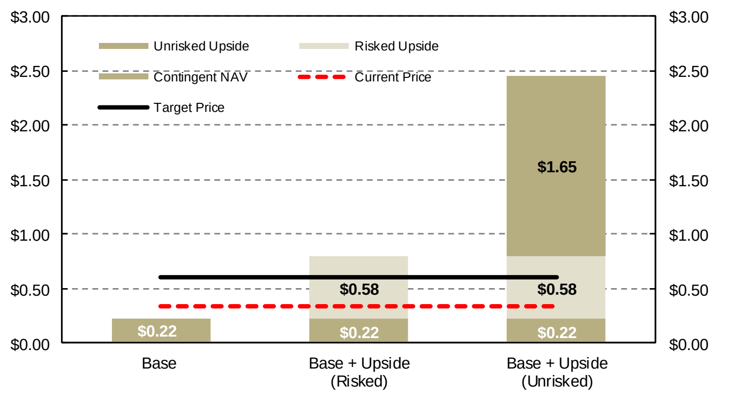
We see the best value creation for MVN in delineating and proving up the massive shale resources in Argentina, which at year end 2014 had essentially no reserves booked. While the Puesto Morales block is not "shale" and is outside of the core Vaca Muerta hotspot being chased by industry, based on the early success shown it could hold the potential to develop into a scalable oil play that would be a nice cash flow engine for reinvestment into further delineating MVN's shale resources.

While energy investors remain predominantly on the sidelines, especially when it comes to Argentina (despite higher domestic oil pricing and positive Vaca Muerta results reported by Majors such as Exxon) we do see MVN as the best way to play Argentina longer term as the company is the only junior with acreage in the sweet spot of the oil window of one of the world's hottest unconventional shale plays and the only shale play outside of North America that is moving to development. With solid financial positioning and premium pricing in Argentina we see MVN as having the ability to advance delineation activity of several resource plays in Argentina in 2015.

We maintain our Buy rating and increasing our target price to $0.60/sh from $0.55/sh previously. Our increase in target price is a result of increasing the chance of success associated with the Sierras Blancas light oil play at Coiron Amargo block. Our target price is derived from a 5.3x EV/DACF base multiple, and have included an additional $0.36 of risked resource upside.

Figure 6: Valuation Summary

NAV BUILD - MADALENA ENERGY					
		Multiple			$/sh
Base 2016e EV/DACF Target Multiple		5.3x			$0.22
Development and Exploration Upside	Unrisked Value		Risk Factor	Risked Value	
Argentina					
Coiron Amargo Block	$352	$0.62	30%	$79	$0.19
Curamhuele Block	$325	$0.58	10%	$33	$0.06
Cortadera Block	$223	$0.39	10%	$22	$0.04
Total Argentina	$900	$1.59		$134	$0.28
Canada					
Ostracod	$136	$0.24	17%	$24	$0.04
Notikewin/Wilrich	$80	$0.14	15%	$12	$0.02
Nordegg	$98	$0.17	8%	$8	$0.01
Total Canada	$315	$0.56		$44	$0.08
Total Resource Upside	**$1,215**	**$2.15**		**$177**	**$0.36**
Combined Base & Resource Upside		**$2.37**			**$0.58**
Target Price					**$0.60**
Current Share Price					$0.34
Implied Return					76%



Source: Haywood Securities Inc.

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- n/a

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BUY – The analyst believes that the security will outperform other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) BUY rating.

HOLD – The analyst believes that the security is expected to perform in line with other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) HOLD rating.

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Overall Risk Rating

Very High Risk: Venture type companies or more established micro, small, mid or large cap companies whose risk profile parameters and/or lack of liquidity warrant such a designation. These companies are only appropriate for investors who have a very high tolerance for risk and volatility and who are capable of incurring temporary or permanent loss of a very significant portion of their investment capital.

High Risk: Typically micro or small cap companies which have an above average investment risk relative to more established or mid to large cap companies. These companies will generally not form part of the broad senior stock market indices and often will have less liquidity than more established mid and large cap companies. These companies are only appropriate for investors who have a high tolerance for risk and volatility and who are capable of incurring a temporary or permanent loss of a significant loss of their investment capital.

Medium-High Risk: Typically mid to large cap companies that have a medium to high investment risk. These companies will often form part of the broader senior stock market indices or sector specific indices. These companies are only appropriate for investors who have a medium to high tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital

Moderate Risk: Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

Risk Profile Parameters – Oil and Gas Sector

Forecast Risk: High (7-10) – The company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity risk beyond peers. Higher commodity prices or production is ahead of guidance is required to raise expectations. The company is in the earlier stages of exploration drilling and/or asset delineation whereby type curves and/or production profiles are not yet reliably established. Properties are located in an area(s) with limited access or require infrastructure. **Moderate (4-6)** – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging practices are in line with peers. The company has taken steps to de-risk its main producing or soon to be producing assets and has reasonably reliable type curves and production profiles. Properties are located in an area(s) with access and some infrastructure. **Low (1-3)** – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers. The company has de-risked the majority of its main producing properties and has established reliable type curve and production profiles. Properties are located in accessible areas with available infrastructure.

Financial Risk: High (7-10) – The capital expenditure program in the current year or the next forecast year is not fully funded with a combination of existing debt facilities, cash on hand and/or cash flow and execution of the program depends in part on equity financing. Existing and/or forecast levels of leverage are above average relative to their peers. **Moderate (4-6)** – The capital expenditure program in the current year or the next forecast year is fully funded with a combination of available debt facilities, cash on hand and/or cash flow. Existing and/or forecast levels of leverage are in-line with peers. **Low (1-3)** – The capital expenditure program in the current year or the next forecast year is fully funded with a combination of cash flow and/or cash on hand. Existing and/or forecast levels of leverage are below the peer group.

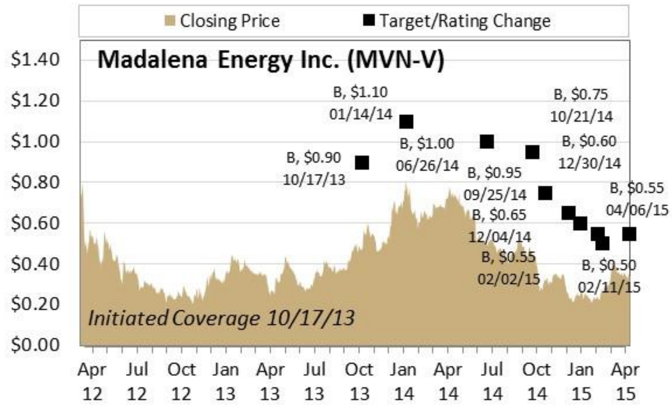
Political Risk: High (7-10) – An environment unfriendly to the industry makes obtaining permits to drill or produce hydrocarbons challenging. Significant government or local opposition exists. Important oil and gas production sharing agreements or exploration permits are not in hand there is at least some uncertainty regarding their issuance. The region or country has had a history of regulatory instability. **Moderate (4-6)** – An environment friendly to the industry makes obtaining permits relatively straightforward. All levels of government are considered indifferent to hydrocarbon activity. Import oil and gas production sharing agreements or exploration permits are not in hand but there is reasonably certainty that they will issue in the ordinary course. The region or country has historically had a reasonably stable regulatory environment. **Low (1-3)** – Proper Oil and gas production sharing agreements or exploration permits are in hand. Governments of all levels support the sector. The region or country has historically had regulatory stability.

Valuation Risk: High (7-10) – The current valuation is at a premium to peers. The valuation reflects continued above average production growth and/or continuing strong commodity prices for further appreciation. **Moderate (4-6)** – The current valuation is generally consistent with peers. The valuation reflects reasonable production growth and/or commodity price appreciation. **Low (1-3)** – The current valuation is at the low end of historic ranges and/or at a discount to peer valuations. The valuation reflects limited production growth and/or commodity price appreciation.

Distribution of Ratings (as of April 8, 2015)

	Distribution of Ratings %	#	IB Clients (TTM)
Buy	50.4%	70	94.7%
Hold	9.4%	13	5.3%
Sell	1.4%	2	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
dropped (TTM)	38.8%	54	0.0%

Price Chart, Rating and Target Price History (as of April 8, 2015)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities