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At Mackie Research Capital Corporation, independence, innovation and integrity are the foundations of our success. From the pre-boom markets of the early 1920s to the present, Mackie Research Capital Corporation has remained an independently-owned firm. We provide our clients with unique products and exceptional personalized service. Our pursuit of innovative approaches distinguishes us as one of a kind. Independence allows our experienced investment advisors, knowledgeable team of investment bankers, dedicated institutional sales people and top-rated research analysts to do what they do best – provide objective, unbiased advice that is tailored to our clients’ needs.

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*Prices current as of January 15th, 2013.*
Introduction

Top Picks 2013

Welcome to our eighth annual edition of Top Investment Picks for the upcoming year.

Last year we issued an ambitious edition of investment choices, heavily weighted to equities with small market capitalizations (<$1.0 bln market cap) compared to equities with large market capitalizations (> $1.0 bln). In addition, the portfolio of 17 companies included in 2012 had a distinct focus on natural resources.

The performance of our portfolio in 2012 was not stellar, and was the first year in which we did not handily beat benchmark returns for the TSX. We did, though, significantly out-perform the TSXV.

MRCC’s TOP PICKS for 2012 were down 5.4% year-over-year compared to a 2.9% increase for the TSX Composite. By market capitalization, however, our Small Cap portfolio was only down 7.4% - better than the TSX Small Cap index which was down 19.0%.

2012 was not a good year for junior equities, as the market’s appetite was for blue chip equities with solid levels of cash flow. Junior equities in need of equity financing were heavily penalized in 2012.

For 2013 we profile 10 companies as TOP PICKS, only one of which has a market capitalization greater than $1.0 bln. Again, there is a heavy weighting in resource stocks with only one not being resource related.

The overall investment theme for 2013 is about opportunity to grow – business plans that should achieve superior equity returns. Be it base metals, alumina, titanium, oil and gas, energy, gold, or environmental services, our investment choices are to create equity gains by advancing opportunities up the value chain.

As in prior years, we are confident investors will find MRCC’s TOP PICKS a useful asset.

Barry Allan
Vice Chair, Mining Group & Director
Mackie Research Capital Corporation

This report has been created by Analysts that are employed by Mackie Research Capital Corporation, a Canadian Investment Dealer.
For further disclosures, please see last page of this report.

*Prices current as of January 15th, 2013.
Relevant Disclosures

RELEVANT DISCLOSURES APPLICABLE TO: Panoro Minerals Ltd.
2. In December 2011, Matt O’Keefe visited Panoro Minerals’ Cotabambas site. Commercial travel expenses to and from site were paid by Mackie Research Capital Corporation.
3. Within the last 3 years, Mackie Research Capital Corporation has received compensation for investment banking and related services from the subject issuer.

RELEVANT DISCLOSURES APPLICABLE TO: Trevali Mining Corp.
1. In September 2012, Matt O’Keefe visited Trevali’s New Brunswick assets. Commercial travel expenses to and from site were paid by Mackie Research Capital Corporation.

RELEVANT DISCLOSURES APPLICABLE TO: Probe Mines Ltd.
1. In October 2011, an analyst from Mackie Research Capital visited the Borden Lake project, Ontario. All expenses were paid by Probe Mines Ltd.
2. In January 2013, Barry Allan visited the Probe Mines Ltd. site. Travel expenses were paid for by Probe Mines Ltd.

RELEVANT DISCLOSURES APPLICABLE TO: Aurico Gold Inc.
1. Within the last 3 years, Mackie Research Capital Corporation has managed or co-managed an offering of securities by the subject issuer.
2. Within the last 3 years, Mackie Research Capital Corporation has received compensation for investment banking and related services from the subject issuer.
3. In April 2010, Barry Allan visited the Ocampo site in Mexico. Expenses to and from site were paid by Mackie Research Capital Corporation, but accommodations at site were provided by AuRico Gold.
4. In October 2009, September 2008 and October 2007, Barry Allan also visited the Young-Davidson project in Ontario. Travel to and from the site was provided by the Company.
5. In February 2011, Ryan Hanley visited AuRico Gold’s Ocampo mine in Mexico. Expenses to and from Mexico were paid by Mackie Research Capital Corporation, but accommodations and travel in Mexico were provided by AuRico Gold.
6. In September 2011, Ryan Hanley visited AuRico Gold’s El Chante mine in Mexico. Expenses to and from Mexico were paid by Mackie Research Capital Corporation, but accommodations and travel in Mexico were provided by AuRico Gold.
7. In June & December 2012, Ryan Hanley visited the Young-Davidson project in Ontario. Travel to and from the site was provided by the Company.

RELEVANT DISCLOSURES APPLICABLE TO: Sprott Power Corp.
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3. In 2012, an analyst from Mackie Research Capital visited the Amherst project site. All expenses were paid by Sprott Power Corp.

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2. Within the last 3 years, Mackie Research Capital has received compensation for investment banking and related services from the subject issuer.

RELEVANT DISCLOSURES APPLICABLE TO: Madalena Ventures Inc.
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2. Within the last 3 years, Mackie Research Capital Corporation has received compensation for investment banking and related services from the subject issuer.
3. Bill Newman visited the Buenos Aires offices of Madalena Ventures Inc. on January 27, 2012. All expenses were paid for by Mackie Research Capital Corporation.

RELEVANT DISCLOSURES APPLICABLE TO: Orbite Aluminae Inc.
1. On a recent analyst tour, Matt Gowing visited the operations of Orbite Aluminae Inc. Transportation costs related to the visit were paid in part by the issuer.
2. Within the last 3 years, Mackie Research Capital Corporation has received compensation for investment banking and related services from the subject issuer.
3. Within the last 3 years, Mackie Research Capital Corporation has managed or co-managed an offering of securities by the subject issuer.

RELEVANT DISCLOSURES APPLICABLE TO: Argex Titanium Inc.
1. N/A.

RELEVANT DISCLOSURES APPLICABLE TO: Ridgeline Energy Services Inc.
1. Within the last 3 years, Mackie Research Capital Corporation has managed or co-managed an offering of securities by the subject issuers.
2. Within the last 3 years, Mackie Research Capital Corporation has received compensation for investment banking and related services from the subject issuer.
3. In April 2012, Raveel Afzaal visited Ridgeline’s New Mexico site. All expenses for the trip were paid by Mackie Research Capital Corporation, except charter flight from Texas to New Mexico which was paid by Ridgeline Energy.
4. In August 2012, Raveel Afzaal visited Ridgeline’s Santa Fe facility in California. All expenses for the trip were paid by Mackie Research Capital Corporation.

Analyst Certification

Each analyst of Mackie Research Capital Corporation whose name appears in this report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the analyst’s personal views and (ii) no part of the research analyst’s compensation was or will be directly or indirectly related to the specific conclusions or recommendations expressed in this research report.
## Americas Petrogas Inc. - BUY

### Shale Success Not Reflected In Stock

**Summary - BUY on Conventional Production Growth & Shale**

In 2012, our Argentina stories were severely impacted by the expropriation of Repsol’s shares in YPF. Despite the increase in perceived political risk, BOE significantly advanced the Vaca Muerta (“VM”) unconventional shale play by drilling three successful wells on its Los Toldos blocks (45% W.I.) with ExxonMobil and the successful La Hoya.x-1 on its 90% Totoral block (90% W.I.). In addition, BOE completed a highly successful multi-stage frac of the Lte.x-1 well on the Los Toldos II block. The unconventional drilling success has the potential to prove-up substantial, large-in-place resources. In addition, BOE has been successful with its conventional oil development, increasing production to just under 3,000 boe/d exit 2012. We expect BOE’s 2012 conventional drilling program has added significant reserves that has not been reflected in the stock price. The political environment appears to be improving after the Argentina government announced improved pricing for natural gas. Two major farm-in deals were announced shortly after the natural gas price increase.

### Conventional Production Growth:

With the recent expansion of its Medanito Sur production facilities to a capacity of 6,300 bbl/d and active 2013 development drilling program, we are targeting an exit 2013 production rate of 5,000 bbl/d.

### Valuation – Risked NAV

Our 12 month target price of $5.70/fd share is equivalent to a 1x multiple of our risked net asset value.

### Catalysts – Shale Resource Appraisal Drilling

BOE’s growing conventional production base provides investors with downside protection while its shale exploration and appraisal drilling provides substantial upside.

### Risks To Target - Goverment Intervention

Although recently policy changes made late last year by the Argentina Government have been favorable to foreign investment, a reversal of these incentives would severely impact our valuation of BOE.

### Corporate Profile

Americas Petrogas Inc. is a junior international exploration and production company focused on the acquisition, exploration, and development of oil and gas assets in the Neuquen Basin in Argentina and the development of its potash brine project and phosphate project in Peru.

### Upcoming Events

- Initial test results of LHo.x-1 (90% W.I.) (January/February).
- Second frac and test of Hua.x-1 (39% W.I.) (H1/13).
- Frac and test of ALL.x-1 (45% W.I.) (Q1/13).
- Initial results from Chevron development program (Q2/13).

### Highlights - Conventional Growth Supports Shale Exploration

**Continued VM shale appraisal in 2013:** Given the drilling success achieved by ExxonMobil and BOE in 2012, we expect multiple additional appraisal wells could be drilled on the Los Toldos blocks in 2013. In addition, late last year BOE completed a three stage frac of the LHo.x-1 exploration well (90% W.I.) on the Totoral block. Production test results are expected in January or February. We believe that if the LHo.x-1 well is successful, BOE will include at least one follow up well in its 2013 budget. Finally, a second frac in another VM shale interval in the Hua.x-1 well (39% W.I.), which is operated by Apache is expected to commence in H1/13.
Madalena Ventures Inc. - BUY
Oversold On Argentina Political Uncertainty

**Summary - MVN to Recover in 2013**
Madalena’s stock price has been severely impacted by the nationalistic policies enacted by the Argentina government in early 2012. However, by late 2012, the political environment began to improve, and we believe MVN remains oversold on the political uncertainty in Argentina.

In order to diversify political and exploration risk, in Q4/12 MVN acquired Online Energy, a company with approximately 650 boe/d of production and a significant acreage position of 197 gross (153 net) sections of land in the Paddle River area of central Alberta. We see two main drivers of value for Madalena in 2013: Production growth in Canada from the current winter drilling program and continued Vaca Muerta (“VM”) shale appraisal in Argentina.

**Highlights - Production Growth & Shale Appraisal**

**Canadian production growth:** MVN has a large inventory of horizontal development locations identified on its Greater Paddle River core area. During the current winter drilling program, MVN plans to drill, multistage frac and tie-in four to five gross (4.0 – 4.2 net) horizontal wells. The program will target three resources plays; 1) Ostracod light oil, 2) Notikewin / Falher / Wilrich (Mannville) stacked liquids-rich gas development plays, and 3) Nordegg oil & liquids-rich gas. The program could increase corporate production to 2,000 boe/d by year-end.

**VM shale appraisal:** MVN plans to continue its appraisal of the VM and other shales in 2013 which has the potential to prove-up substantial, large-in-place resource across its three blocks in Coiron Amargo, Cortadera and Curamhuele. In addition, as a result of the two separate billion dollar farm-in deals by Chevron and Bridas on YPF’s lands, we expect hundreds of VM wells to be drilled in 2013 on blocks that are directly adjacent to MVN’s Coiron Amargo block (35% W.I.).

**Risks To Target**
Although recently policy changes made late last year by the Argentina Government have been favorable to foreign investment, a reversal of these incentives would severely impact our valuation of MVN.

---

**Corporate Profile**
Madalena Ventures Inc. is a junior oil and gas exploration and production company with an interest in three blocks covering 280,077 gross acres (135,027 net) in the prolific Neuquén Basin in Argentina. In Canada Madalena has a large, focused, core area within the Greater Paddle River Area, with 153 net sections of land and a large inventory of horizontal development locations.

**Upcoming Events**
- Frac and test of the CAS X-1 well. Results in January 2012.
- Initial drilling results from CAS X-4 well expected in January 2012.
- Frac and test of the CorS X-1 well. Results in Q1/12.

**Valuation – Risked NAV**
At the current market price, MVN trades at a significant discount to our risked NAV of $2.15/fd share

**Catalysts – Political Normalcy and Production Growth**
With additional appraisal of the Ostracod, development drilling in the Mannville and exploration of the Nordegg, we expect MVN to quickly grow its production and cash flow base in Canada. In addition, the Vaca Muerta, Lower Agrio and Los Molles shales in Argentina alongside high impact Quintuco and Mulichinco plays, exposes MVN to massive resource upside. The substantial number of wells that will be drilled by Chevron and Bridas could result in billion barrels discoveries on blocks directly west of MVN’s Coiron Amargo block.

**FYE Dec. 31**

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<th>FYE Dec. 31</th>
<th>Q1/11A</th>
<th>Q2/11A</th>
<th>Q3/11A</th>
<th>Q4/11A</th>
<th>2011A</th>
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